

EXPLANATORY STATEMENT

Issued by the Authority of the Private Health Insurance Administration Council

Private Health Insurance Act 2007

Private Health Insurance (Insurer Obligations) Amendment Rules 2011 (No. 1)

Authority for the Amendment Rules

The *Private Health Insurance (Insurer Obligations) Amendment Rules 2011 (No. 1)* (the **Amendment Rules**) are established under section 163-1 of the *Private Health Insurance Act 2007* (the **Act**), and are made by the Private Health Insurance Administration Council (the **Council**) under item 2 of the table in section 333-25 of the Act.

The Amendment Rules amend the *Private Health Insurance (Insurer Obligations) Rules 2009* (the **Rules**).

The Amendment Rules are a legislative instrument for the purposes of the *Legislative Instruments Act 2003*.

Purpose of the Amendment Rules

The purpose of these Amendment Rules is to update the Appointed Actuaries Standard directing Appointed Actuaries to prepare Financial Condition Reports (**FCRs**) in accordance with *Professional Standard 600: Financial Condition Reports for Private Health Insurers (PS600)*, issued by the Institute of Actuaries of Australia (the **Institute**).

PS600 replaces *Guidance Note 670: Financial Condition Reports for Health Insurers (GN670)* which is referenced in Rule 10 of the existing Appointed Actuaries Standard, established by Schedule 2 of the *Private Health Insurance (Insurer Obligations) Rules 2009* which commenced on 31 March 2007. The Amendment Rules update the existing Appointed Actuaries Standard, changing the requirement to prepare a FCR in accordance with GN670 to PS600. An explanation of Rule 10 is set out at **Attachment 1**.

Summary of impact of the Amendment Rules

The Amendment Rules respond to a review of professional requirements by the Institute, which is the professional association for actuaries in Australia. The Institute develops industry-imposed Professional Standards from time to time.

It is in this context that the Institute has issued PS600 to its Fellows which details requirements for carrying out a particular actuarial duty, that is, the preparation of FCRs for private health insurers.

Consultation

Advice received from the Office of Best Practice Regulation (**OBPR**) has confirmed that the change to the Rules is considered minor and machinery in nature and has been exempt from the Regulation Impact Statement requirements – RIS ID No: 12603.

PHIAC has not consulted stakeholders other than the OBPR during development of the Amendment Rules. This is because the amendment reflects a change that industry stakeholders have been instrumental in crafting and kept informed of by the Institute.

Documents incorporated by reference

The amendment incorporates an external document endorsed by the Institute.

PS600 is available from the Institute of Actuaries of Australia online at www.actuaries.asn.au, or by contacting the Institute at the following address:

The Institute of Actuaries of Australia

Level 7 Challis House

4 Martin Place

Sydney NSW 2000

Tel: + 61 (2) 9233 3466

Fax: +61 (2) 9233 3446

Email: actuaries@actuaries.asn.au

The document can also be obtained by contacting the Council on (02) 6215 7900.

ATTACHMENT 1

DETAILS OF THE *PRIVATE HEALTH INSURANCE (INSURER OBLIGATIONS) AMENDMENT RULES 2011* (No. 1)

1. Name of Rules

Rule 1 provides that the Rules are to be known as the *Private Health Insurance (Insurer Obligations) Amendment Rules 2011 (No. 1)*.

2. Commencement

Rule 2 provides that the Amendment Rules commence on the day after they are registered.

3. Amendment of the *Private Health Insurance (Insurer Obligations) Rules 2009*

Rule 3 provides that Schedule 1 amends the *Private Health Insurance (Insurer Obligations) Rules 2009*.

4. Schedule 1 Amendment

Schedule 1 substitutes the existing requirement in Schedule 2, paragraph 10 (b) of the *Private Health Insurance (Insurer Obligations) Rules 2009* with the new direction to prepare a Financial Condition Report in accordance with the *Professional Standard 600: Financial Condition Reports for Private Health Insurers*, made by the Institute of Actuaries of Australia in June 2011.