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MEDIA RELEASE – FOR IMMEDIATE USE

Health insurance numbers continue to ease

The number of New Zealanders with health insurance continued to ease in the year to the end of September, bringing it down to the same level as in 2007, according to figures released today by the Health Funds Association (HFANZ).

HFANZ executive director Roger Styles said 1.384 million New Zealanders now had health insurance, or 31.6 percent of the population.

Mr Styles said the reduction in lives covered over the full September 2010 year was 8200, or 0.6 percent. More than half of those policies, 4700, were lost in the September quarter this year.

Coverage had been dropping since December 2008, which he put down to continued lower employment levels affecting the membership of group health insurance schemes at workplaces. Loss of coverage was most noticeable in the 30-59 age group.

“The reduction in coverage also reflects a price response, as continued claims cost growth has put upward pressure on premiums over recent years, most notably for older age groups,” Mr Styles said.

“This pressure is adding to the case for a rebate for the over-65s who hold on to their health insurance. We have been engaging constructively with the Government on this and are hopeful that fiscal conditions may allow the reconsideration of this policy in the near future.”

Elective surgical and specialist cover now accounted for two-thirds of all policies. Mr Styles said the net 8200 decrease in policies over the year represented an increase of 8700 people with elective surgical and specialist cover and a reduction of 16,900 having comprehensive insurance policies.

Claims costs continued to rise in the September 2010 year, with insurers paying out \$818 million, up \$75 million or 10.1 percent on the September 2009 year. In the September 2010 quarter, \$225 million in claims were paid.

Premium income was up 9.3 percent, or \$80 million, on the September 2009 year to \$939 million. Insurers earned \$244 million in premiums in the September 2010 quarter, compared with \$236 million in the June 2010 quarter.

ENDS (Three-page statistical summary follows)

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Health Insurance Statistics September 2010

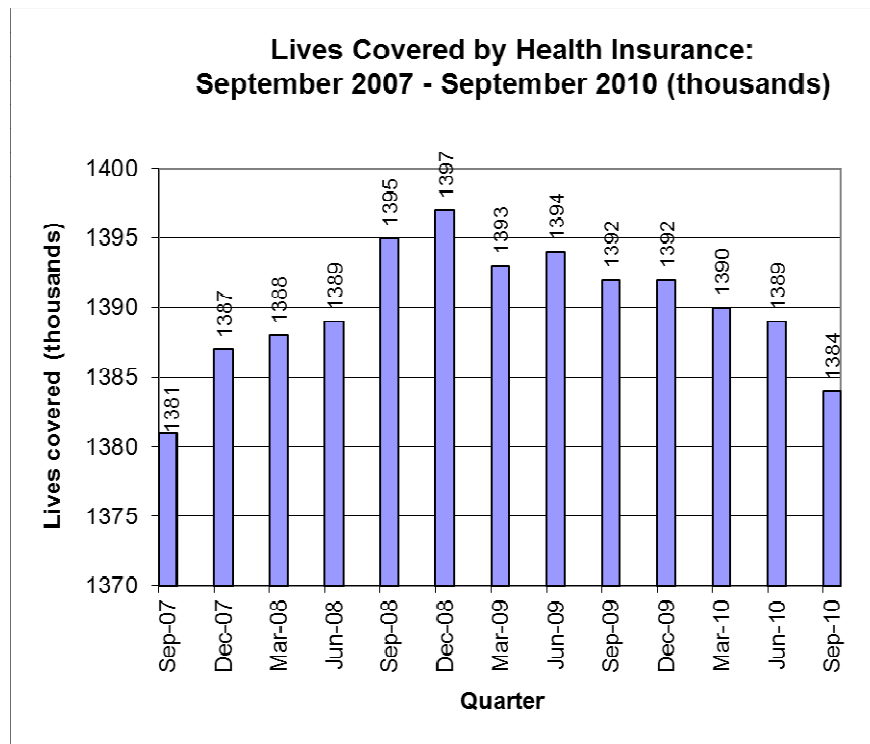


This is a quarterly supplement providing statistical information for the health insurance industry in New Zealand. It contains data for the quarter ended September 30, 2010.

➤ Lives covered fall 0.3 percent in September Quarter

The number of lives covered fell by 4700 (0.1 percent) in the September 2010 quarter, taking total lives covered to 1.384 million. This is a fall of 8200 (-0.6 percent) compared with September 2009. The number of lives covered has been easing since December 2008 and is now at the same level as late 2007.

Much of the easing of coverage over the last two years reflects the continuation of subdued employment levels, with loss of membership of group health insurance schemes as employment levels have dipped. The reduction in coverage also reflects a price response, as continued claims cost growth has put upward pressure on premiums over recent years, most notably for older age groups.



➤ Elective surgical cover now two-thirds of all policies

The trend away from comprehensive health insurance towards elective surgical and specialist cover continues. The net 8200 decrease in lives covered over the year represents an increase of 8700 people with elective surgical and specialist cover and a reduction of 16,900 having comprehensive insurance policies.

Elective surgical and specialist cover now accounts for 923,000 of the 1.384 million lives covered, or 66.7 percent of those covered by health insurance. Comprehensive health insurance coverage now accounts for just 461,200 lives covered, or 33.3 percent of policies.

➤ **Lives covered by age**

A breakdown of the lives covered by age group highlights a number of offsetting changes which contribute to the overall change for the year.

Table: Lives Covered by Age group: September 2009 and September 2010

Age	Sep 2009	Sep 2010	Diff	Percent
0-4	66,566	67,012	446	0.7%
5-9	82,267	81,612	-655	-0.8%
10-14	90,807	89,149	-1658	-1.8%
15-19	98,829	96,339	-2490	-2.5%
20-24	75,015	76,689	1674	2.2%
25-29	67,316	68,021	705	1.0%
30-34	81,525	80,548	-977	-1.2%
35-39	109,451	106,654	-2797	-2.6%
40-44	119,030	118,501	-529	-0.4%
45-49	129,846	127,211	-2635	-2.0%
50-54	122,706	122,792	86	0.1%
55-59	113,545	111,896	-1649	-1.5%
60-64	97,836	98,655	819	0.8%
65-69	58,335	58,505	170	0.3%
70-74	32,949	34,702	1753	5.3%
75-79	21,895	21,286	-609	-2.8%
80-84	15,384	15,318	-66	-0.4%
85-89	6958	7027	69	1.0%
90+	2026	2216	190	9.4%
Total	1,392,310	1,384,146	-8164	-0.6%

As can be seen in the table, almost all of the decline for the year can be explained by the drop in working age population holding health insurance. The total decrease for the year for those aged between 30 and 59 was 8500 lives covered, or -1.3 percent.

➤ **Premiums paid up 9.3 percent**

Health insurance earned premiums in the September 2010 quarter were \$244 million, compared with \$236 million for the June quarter. Premium income for the full year ended September 30, 2010 totalled \$939 million, an increase of \$80 million or 9.3 percent on the \$859 million in premium income for the September 2009 year.

➤ **Claims paid up 10.1 percent**

Health insurance claims paid in the September 2010 quarter totalled \$225 million, taking claims paid in the 12 months to September 2010 to \$818 million. This is an increase of

\$75 million or 10.1 percent on the total claims paid in the 12 months to September 2009. Growth in claims costs has been running at a high level over recent years due to increased demand, expansion of services funded by health insurance, and medical inflation. Cost-shifting from the public sector has also contributed. The average annualised growth in claims costs over the last five years has been 8.9 percent.

