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MEDIA RELEASE – FOR IMMEDIATE USE

Health cover dip prompts caution

The number of New Zealanders covered by health insurance has continued to ease, according to figures released today by the Health Funds Association (HFANZ).

Chief executive Roger Styles said the number of lives insured dropped by 5500 (0.4 percent) in the three months to March 31 this year, taking total lives covered to 1.377 million. This was a reduction of 13,000 (0.9 percent) over the March 2011 year.

Mr Styles said there was a concern that the recession might have seen some people discontinue their health insurance as a temporary measure, thinking they could easily pick it up again later when things improved.

“I would encourage people to talk to their insurer before making such a decision and consider it carefully, because a gap in cover could mean pre-existing conditions are not covered down the track,” he said.

Mr Styles said trends over the next two decades were going to make health insurance more important, and people needed to be thinking about the future when considering policies.

“With an aging population and fiscal pressure building on the public health budget, people will increasingly be called on to make a greater contribution towards their health costs. Health insurance will likely play a bigger role in helping people balance risks and access the level of healthcare they desire going forward,” he said.

Claims paid in the March 2011 quarter totalled \$184 million, taking claims paid in the 12 months to March 2011 to \$828 million. Mr Styles said this was an increase of \$49 million, or 6.3 percent, on the total claims paid in the 12 months to March 2010.

Premiums paid in the March 2011 quarter totalled \$254 million, compared with \$250 million for the December 2010 quarter. Premium income for the full year ended March 31, 2011 was \$984 million, an increase of \$88 million or 9.8 percent on the \$896 million in premium income for the March 2010 year.

ENDS (Three-page statistical summary follows)

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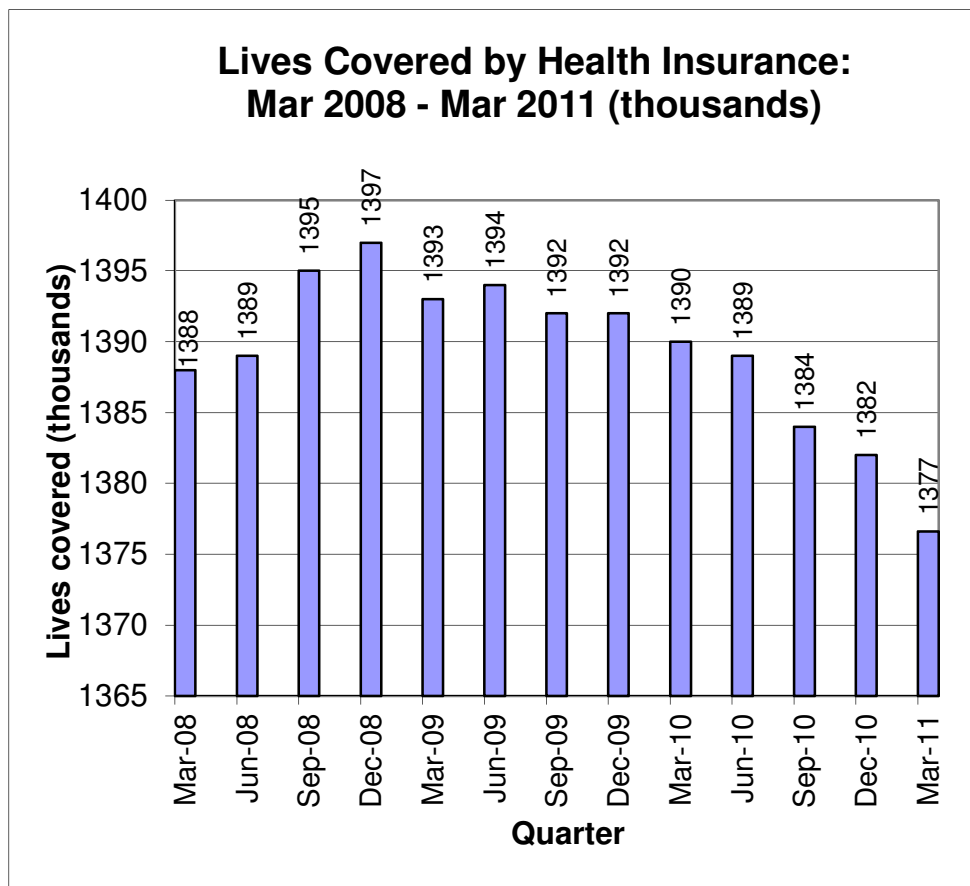
Health Insurance Statistics March 2011



This is a quarterly supplement providing statistical information for the health insurance industry in New Zealand. It contains data on the most recent quarter ended March 31, 2011.

➤ Lives covered fall 0.4 percent in March quarter

The number of lives covered fell by 5500 (0.4 percent) in the March 2011 quarter, taking total lives covered to 1.377 million. This is a fall of 13,000 (-0.9 percent) compared with March 2010. The March quarter is usually flat compared to other quarters and a slight easing in numbers is not uncommon.



The last three years from March 2008 to March 2011 has seen a decline of 11,000 lives covered, with overall lives covered down 20,000 from its recent peak in December 2008.

➤ Trend to elective surgical cover

The trend away from comprehensive health insurance towards elective surgical and specialist cover continues. The net 13,000 decrease in lives covered over the year

represents an increase of 4600 people with elective surgical and specialist cover and a reduction of 17,600 having comprehensive insurance policies.

Elective surgical and specialist cover now accounts for 923,100 of the 1.377 million lives covered, or 67.1 percent of those covered by health insurance. Comprehensive health insurance coverage now accounts for just 453,500 lives covered, or 32.9 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. The March year has seen a significant reduction in lives covered among working age people and children, suggesting a drop in the number of family health insurance policies. At the same time, coverage for older age groups has remained flat, despite the demographic movements and increase in population in these age groups.

The table below shows the overall movements for the year for each five year age band.

Table: Lives Covered by Age group: March 2010 and March 2011

Age	Mar 2010	Mar 2011	Diff	Percent
0-4	67,425	64,855	-2570	-3.8%
5-9	82,040	80,861	-1179	-1.4%
10-14	89,852	88,431	-1421	-1.6%
15-19	97,826	94,419	-3407	-3.5%
20-24	75,339	78,189	2850	3.8%
25-29	68,063	67,539	-524	-0.8%
30-34	80,846	80,380	-466	-0.6%
35-39	108,429	103,419	-5010	-4.6%
40-44	118,563	118,566	3	0.0%
45-49	128,671	125,941	-2730	-2.1%
50-54	122,613	123,172	559	0.5%
55-59	112,497	111,896	-601	-0.5%
60-64	98,765	99,282	517	0.5%
65-69	58,394	58,766	372	0.6%
70-74	33,837	35,718	1881	5.6%
75-79	21,712	21,214	-498	-2.3%
80-84	15,433	14,502	-931	-6.0%
85-89	7026	7138	112	1.6%
90+	2256	2319	63	2.8%
Totals	1,389,587	1,376,607	-12,980	-0.9%

➤ **Premiums paid up 9.8 percent**

Health insurance earned premiums in the March 2011 quarter were \$254 million, compared with \$250 million for the December 2010 quarter. Premium income for the full year ended March 31, 2011 totalled \$984 million, an increase of \$88 million or 9.8 percent on the \$896 million in premium income for the March 2010 year.

➤ **Claims paid up 6.3 percent**

Health insurance claims paid in the March 2011 quarter totalled \$184 million, taking claims paid in the 12 months to March 2011 to \$828 million. This is an increase of \$49 million or 6.3 percent on the total claims paid in the 12 months to March 2010. Growth in claims costs has been running at a high level over recent years due to increased demand, expansion of services funded, and medical inflation.

The 6.3 percent annualised claims growth continues a downward trend since claims cost growth peaked at 13.2 percent in the December 2008 quarter. In addition to reflecting the decline in lives covered, the lower level of claims cost growth could be an indication that insurer measures to help address medical inflation are starting to have an impact.

