



March 16, 2010

MEDIA RELEASE – FOR IMMEDIATE USE

Health Funds Assn members all meet full solvency standard

All 10 health insurers who are members of the Health Funds Association (HFANZ) meet its voluntary solvency standard, according to updated details published today.

HFANZ executive director Roger Styles said it was pleasing to note that all member insurers now met the full standard, with reported solvency coverage ranging from 104 percent to 452 percent.

The Solvency Standard, adopted voluntarily by insurers in 2007, contained transitional provisions and required full compliance with the standard by 2012. From 2011, health insurers will move to the new Reserve Bank Solvency Standard which is currently under development.

Mr Styles said there had been much interest in how health insurers had fared over recent times, considering the impact of high growth in health claims together with the ups and downs seen across investment assets.

“The results show the industry has coped very well, despite minor deteriorations in the value of some investments, partly because the growth in claims costs is ultimately reflected in premium rates.

“We can expect to see the impact of this working through this year, with a number of health insurers already indicating likely premium rises in excess of 10 percent,” Mr Styles said.

ENDS. (Six-page solvency report follows)

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Solvency Reporting

March 2010

These reports are provided in accordance with the Solvency Standard issued by Health Funds Association of New Zealand, August 2007

Background to Solvency Standard

The Solvency Standard was developed in association with the New Zealand Society of Actuaries and was adopted in August 2007 by Health Funds Association. It is intended to provide information to consumers about the solvency position of health insurers in New Zealand, and was intended to be part of a wider set of industry self-regulatory initiatives.

The Government is currently reviewing the regulatory environment governing financial products and providers, including insurance. The issue of solvency standards is one part of a broader proposed prudential regime which will be administered by the Reserve Bank of New Zealand in the future, following the enactment of the Insurance (Prudential Supervision) Bill.

Reporting and updating

HFANZ members are required to report half-yearly in accordance with the solvency standard. The information collected will be periodically revised and published by HFANZ until the RBNZ solvency standard is operational.

This is the third report under the HFANZ Standard. The first report was published in June 2008, with an updated report published in March 2009.

Certification

As part of the process, health insurers must have certification from their actuaries, as well as certification from their Board, that the solvency requirement has been calculated in accordance with the Standard.

The solvency requirement

At any time, the value of the assets of the insurer must be of an amount considered sufficient to meet the obligations of the insurer at that date, to policyholders, members and creditors referable to the insurer, under a range of adverse conditions.

The Minimum Solvency Requirement is made up of a number of components:

- The Liability Reserve
- Inadmissible Asset Reserve
- Resilience Reserve
- Expense Reserve, and
- Management Capital Requirement.

Notes

1. The solvency standard also contains transitional arrangements requiring full compliance by 2011. Further information is contained in the solvency standard itself.
2. Some insurers have assets other than health funds assets. This means the solvency position calculated in accordance with the standard may not correspond to health insurance market share.

Roger Styles
Executive Director

Individual Insurer reports

Insurer: Accuro Health Insurance

Date: 30 September 2009

		\$ million
Minimum solvency requirement (ignoring transitional provisions)	A	5.815
Minimum solvency requirement	B	4.659
Total assets available to meet solvency requirement	C	8.676
Excess assets above solvency requirement	C-B	4.017
Coverage of required solvency reserve	C/B	186%

Notes:

In determining the assets required to meet solvency requirements, the Actuary has applied the Solvency Standard as issued by the Health Funds Association of New Zealand, and Accuro Health Insurance is fully compliant with this Standard.

Insurer: American International Assurance Company (Bermuda) Limited – New Zealand Branch ('AIG Life')

Date: 31 May 2009

		\$ million
Minimum solvency requirement (ignoring transitional provisions)	A	103.8
Minimum solvency requirement	B	76.7
Total assets available to meet solvency requirement	C	108.8
Excess assets above solvency requirement	C-B	32.1
Coverage of required solvency reserve	C/B	142%

Notes:

In determining the assets required to meet solvency requirements, the Actuary has applied the Solvency Standard as issued by the Health Funds Association of New Zealand, and AIG Life is fully compliant with this Standard.

Insurer: Education Benevolent Society

Date: 30 June 2009

		\$ million
Minimum solvency requirement (ignoring transitional provisions)	A	1.413
Minimum solvency requirement	B	1.171
Total assets available to meet solvency requirement	C	6.385
Excess assets above solvency requirement	C-B	5.214
Coverage of required solvency reserve	C/B	545%

Notes:

In determining the assets required to meet solvency requirements, the Actuary has applied the Solvency Standard as issued by the Health Funds Association of New Zealand, and Education Benevolent Society is fully compliant with this Standard.

Insurer: ING Life (NZ) Limited
Date: 31 December 2009

		\$ million
Minimum solvency requirement (ignoring transitional provisions)	A	192.6
Minimum solvency requirement	B	192.4
Total assets available to meet solvency requirement	C	201.6
Excess assets above solvency requirement	C-B	9.2
Coverage of required solvency reserve	C/B	105%

Notes:

In determining the assets required to meet solvency requirements, the Actuary has applied the Solvency Standard as issued by the Health Funds Association of New Zealand, and ING Life (NZ) Limited is fully compliant with this Standard.

Insurer: Manchester Unity Friendly Society
Date: 31 May 2009

		\$ million
Minimum solvency requirement (ignoring transitional provisions)	A	64.8
Minimum solvency requirement	B	62.6
Total assets available to meet solvency requirement	C	74.8
Excess assets above solvency requirement	C-B	12.2
Coverage of required solvency reserve	C/B	119%

Notes:

In determining the assets required to meet solvency requirements, the Actuary has applied the Solvency Standard as issued by the Health Funds Association of New Zealand, and Manchester Unity Friendly Society is fully compliant with this Standard.

Insurer: Police Health Plan
Date: 30 June 2009

		\$ million
Minimum solvency requirement (ignoring transitional provisions)	A	12.042
Minimum solvency requirement	B	8.021
Total assets available to meet solvency requirement	C	15.206
Excess assets above solvency requirement	C-B	7.185
Coverage of required solvency reserve	C/B	190%

Notes:

In determining the assets required to meet solvency requirements, the Actuary has applied the Solvency Standard as issued by the Health Funds Association of New Zealand, and Police Health Plan is fully compliant with this Standard.

Insurer: Southern Cross Medical Care Society
Date: 30 June 2009

		\$ million
Minimum solvency requirement (ignoring transitional provisions)	A	267.1
Minimum solvency requirement	B	219.1
Total assets available to meet solvency requirement	C	484.4
Excess assets above solvency requirement	C-B	265.3
Coverage of required solvency reserve	C/B	221%

Notes:

In determining the assets required to meet solvency requirements, the Actuary has applied the Solvency Standard as issued by the Health Funds Association of New Zealand, and Southern Cross Medical Care Society is fully compliant with this Standard.

Insurer: Sovereign Assurance Company Limited
Date: 30 June 2009

		million
Minimum solvency requirement (ignoring transitional provisions)	A	1994
Minimum solvency requirement	B	1763
Total assets available to meet solvency requirement	C	2113
Excess assets above solvency requirement	C-B	350
Coverage of required solvency reserve	C/B	120%

Notes:

In determining the assets required to meet solvency requirements, the Actuary has applied the Solvency Standard as issued by the Health Funds Association of New Zealand, and Sovereign Assurance Company Limited is fully compliant with this Standard.

Insurer: Tower Medical Insurance Limited
Date: 30 September 2009

		million
Minimum solvency requirement (ignoring transitional provisions)	A	154.2
Minimum solvency requirement	B	145.2
Total assets available to meet solvency requirement	C	160.5
Excess assets above solvency requirement	C-B	15.3
Coverage of required solvency reserve	C/B	111%

Notes:

In determining the assets required to meet solvency requirements, the Actuary has applied the Solvency Standard as issued by the Health Funds Association of New Zealand, and Tower Medical Insurance Limited is fully compliant with this Standard.

Insurer: Union Medical Benefits Society Limited
 Date: 30 June 2009

		million
Minimum solvency requirement (ignoring transitional provisions)	A	19.3
Minimum solvency requirement	B	15.5
Total assets available to meet solvency requirement	C	65.5
Excess assets above solvency requirement	C-B	50.0
Coverage of required solvency reserve	C/B	425%

Notes:

In determining the assets required to meet solvency requirements, the Actuary has applied the Solvency Standard as issued by the Health Funds Association of New Zealand, and Union Medical Benefits Society Limited is fully compliant with this Standard.