

House of Representatives Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Review of the APRA Annual Report (Second Report) 2019

Division/Agency: Australian Prudential Regulation Authority

Question No: APRA09QW

Topic: Community Rating

Reference: Question in writing

Member: Jason Falinski MP

Question:

In Mr Summerhayes' speech he talked about axing community rating. Is APRA concerned that axing community rating would increase premium costs for some people?

Answer:

The speech suggested a whole-of-industry response to the challenges faced by the PHI industry, with all key policy and regulatory settings up for discussion. This includes community rating among other matters. The speech did not state that community rating should be 'axed'.

Further, the speech explicitly acknowledged the downsides of change: "For example, scrapping or recalibrating the community rating model to lower premiums for younger, healthier policyholders would inevitably push up premiums for older, sicker members. These are complex issues and there are no easy answers."