



Australian Government

Department of Finance and Deregulation Office of Best Practice Regulation

Reference: 14174
Telephone: (02) 6215 1955
e-mail: Helpdesk.obpr@finance.gov.au

Paul Groenewegen
Deputy Chief Executive Officer
Private Health Insurance Administration Council

Via email

Dear Mr Groenewegen

Single-stage Regulation Impact Statement – Reform of Capital Adequacy and Solvency Standards

Thank you for forwarding the single-stage Regulation Impact Statement (RIS) for the above proposal for final assessment on 29 August 2013. I note that you have formally certified the details-stage RIS as required by the best practice regulation requirements.

The single-stage RIS contains an adequate level of analysis and meets the Government's best practice regulation requirements. The Office of Best Practice Regulation (OBPR) considered that the RIS was a category 'C' RIS, reflecting that the issue is expected to have a limited impact on the broader economy with no material competition impacts. We note that our comments of 22 August 2013 on the initial draft have been addressed, as you confirmed in your letter certifying the final version of the RIS.

I note the agency has been consistent with the RIS guidelines, having twice provided a certified details-stage RIS (addressing all seven elements) to the OBPR for the two-pass assessment before the decision-maker considers the RIS.

The proposed changes to the Council's capital adequacy and solvency standards are intended to better reflect the risks associated with the conduct of private health insurance and changes in risk practices generally since 2001. The RIS notes that the preferred option of a more comprehensive rewrite of the current standards will have a beneficial impact on insurers. It is preferred to the more regulatory options of retaining the current standards or making minor changes to the current standards. The proposed capital adequacy standard is five pages shorter than the current standard while the body of the solvency standard has been reduced from 11 pages to four.

I note that as no decision has been previously announced, an options-stage RIS was not required, and that this was flagged in the RIS.

The Government's *Best Practice Regulation Handbook* (June 2013), at paragraph 6.4, requires that for legislation which is tabled in the Parliament, a copy of the single-stage RIS


must be included in the explanatory memorandum (for primary legislation) or the explanatory statement (for legislative instruments). Please ensure that your staff provide the OBPR with a copy of (or link to) the explanatory memorandum or explanatory statement when these are made public.

Additionally, the OBPR maintains a RIS website and the Government requires that single-stage RISs be posted as soon as possible after the regulatory decision is publicly announced. We would appreciate you advising us when a decision on this proposal is announced, and forwarding a final copy of the single-stage RIS in *Microsoft Word .doc* format in a form meeting the Australian Government's *Web Content Accessibility Guidelines*. We suggest liaising with your web services team to ensure these guidelines are met. The OBPR should be consulted if the single-stage RIS is amended. It is the agency preparing the RIS, not the OBPR, which is responsible for the content of the published single-stage RIS.

The website provides a public comment facility on RISs posted on the site. The OBPR moderates this facility for offensive content but does not moderate debate.

Please retain this letter as a record of the OBPR's advice. Our reference number for this issue is 14174. If you have any further queries, please do not hesitate to contact me.

Yours sincerely



Tony Simovski
A/g Deputy Executive Director
Office of Best Practice Regulation
5 September 2013