

Health Insurance Statistics June 2007

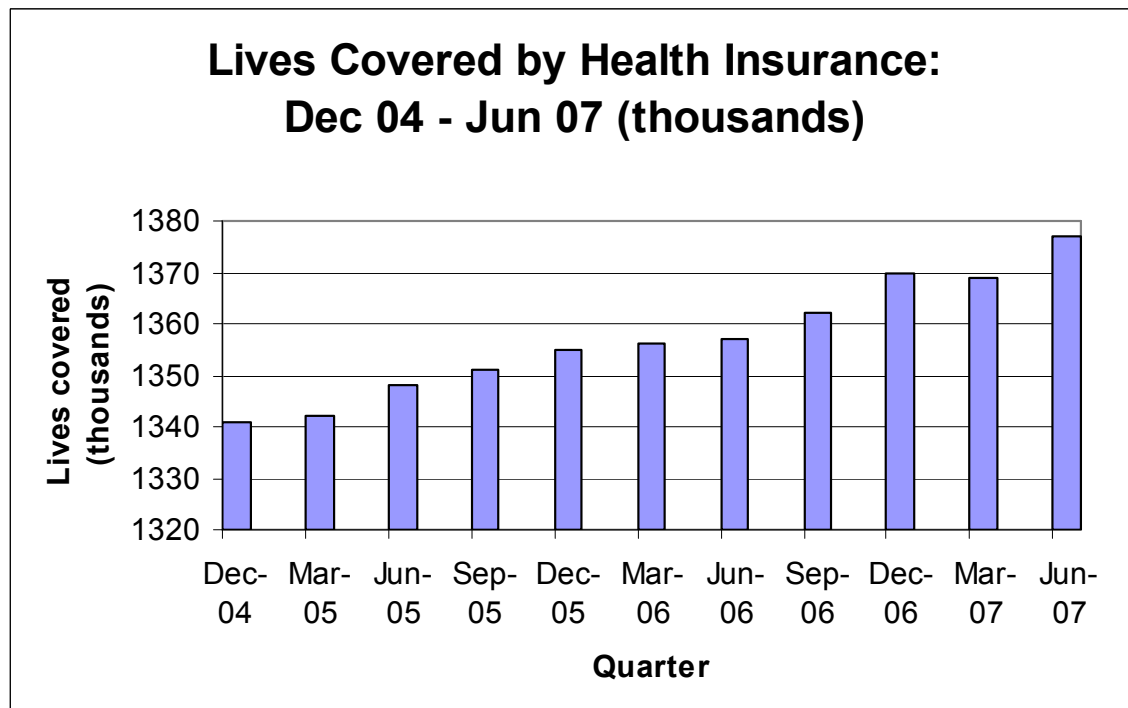
10 August 2007.

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 30 June 2007.

➤ Lives covered up 0.6% in June Quarter

The number of lives covered continues to increase. In the 3 months to 30 June 2007, health insurers reported a net increase in the number of lives covered of 7,800 (0.6%) taking the total lives covered to 1.377 million. The 12 month increase of 19,300 represents a 1.4% increase from June 2006.

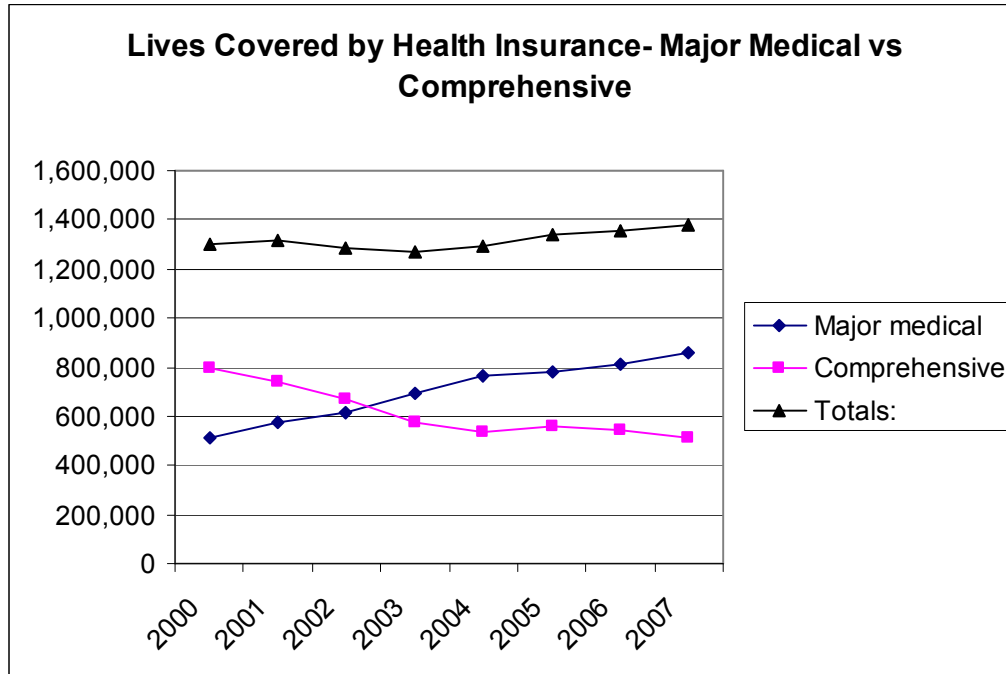
Most of the annual increase occurred in the December 06 and June 07 quarters. The recent burst in growth follows a period of several quarters where the growth appeared to be slowing.



➤ Trend to major medical

The trend away from comprehensive policies and towards major medical insurance continues. The net 7,800 increase in lives covered represents an increase of 11,600 people covered by major medical insurance and a reduction of 3,800 having comprehensive insurance.

Major medical insurance now accounts for 860,800 of the 1.377 million lives covered, or 62.5% of those covered by health insurance. Comprehensive health insurance accounts for just 515,700 lives covered, or 37.5% of policies.



➤ **Lives covered by age**

A breakdown of the lives covered by age group shows significant net gains in the number of lives covered for those aged 60 and over in the June year:

- Aged 60-64: up 5,600 (+6.9%)
- Aged 65-69: up 4,500 (+8.8%)

For all persons age 60 and over, the annual increase in lives covered by health insurance was 12,900. This is an increase of 6.2% from June 2006.

Several factors are likely to be driving this. People are increasingly accepting the fact that the public system can not deliver many elective procedures to either the quantity or the timeliness that people expect from the health system. This means lower numbers of existing policyholders quitting their policies as they get older, despite increases in premiums and reductions in disposable income. In addition there are demographic changes at work, with an aging population meaning similar increases are likely in future years.

At the other end of the spectrum, there has been a notable increase in the number of lives covered for younger age groups over the 12 month period:

- Aged under 5: up 2,800 (+4.8%);
- Aged 20-24: up 2,700 (+4.0%);
- Aged 25-29: up 1,700 (+2.8%).

Again, there are several factors involved. The increase in coverage for those aged under 5 years indicates take-up by younger families, together with a blip in birth rates and stronger economic statistics, particularly employment and the effects of working for families on discretionary family income. The increased take-up by those aged 20-24 and 25-29 may be a sign of greater awareness of the benefits of taking out health insurance at a younger age.

➤ **Claims paid up 5%**

Health insurance claims paid in the June quarter totaled \$156 million, taking claims paid in the 12 months to June 2007 to \$590 million. This is an increase of \$26 million or 5% on the total claims paid in the 12 months to June 2006. The increase is attributable to both an increase in the number of claims and an increase in the costs of treatment.

Many factors contribute to rising claims costs. There are more treatments being performed, together with significant inflation in the broader health sector. In addition, there is a faster adoption of new technology in the private sector, particularly in the area of orthopedics.

