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When too much is never enough: Capital management for mutual health funds in Australia

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Abstract: The Australian private health insurance industry has, until recently, comprised only mutual organisations and has operated on a not-for-profit basis. Recently, a number of the major health insurers have demutualised or have acquired demutualised subsidiaries, and have begun distributing profits to shareholders. At the same time, financial regulators have put increased emphasis on sound capital management in response to a history of recent failure in banking and insurance markets.

Unlike the general and life insurance markets, where mutuality has virtually disappeared, the private health insurance market continues to include in its mix a significant number of mutuals competing with the for-profit insurers, and it appears this mixed situation is likely to continue in the immediate future.

Peter will review the role capital has played in the Australian private health insurance industry, and will explore how the management of capital differs between a mutual and a shareholder health fund.

Peter Carroll has practised as an actuary specialising in health insurance for the past twenty-five years, and is currently Actuary in Residence in the Department of Actuarial Studies.