



Health premium increases – Nov 2024

Adviser FAQs

Overview

New business premiums for AIA Private Health and Cancer Care are increasing from 1 November 2024.

Premiums for in force AIA Private Health, Cancer Care, and closed Sovereign Health policies are increasing on policy anniversaries from 20 November 2024.

Premiums for closed AIA Health products are increasing on policy anniversaries from 1 January 2025.

Background

Health insurance premiums increase each year to take account of rising claims costs.

Like many other goods and services, medical costs are currently experiencing high inflationary pressures. For example, increasing costs of providing healthcare and ongoing healthcare innovation, such as the introduction of new medicines and treatments, both contribute to increased costs to insurers.

In addition, the current lack of availability in the public system has led to a rise in claims volumes and utilization of private health insurance.

Similar cost pressures are likely to impact all health insurers.

General FAQs

What are the underlying premium rate changes to my policy?

The increase in underlying premiums for existing health products are as follows:

Product	Base Benefit	Specialists and Tests (where applicable)
On sale		
AIA Private Health Cover, Private Health Plus, Cancer Care	17.0%	NA
Closed ex-AIA		
All closed ex-AIA Health products <i>(Real Health, Superior Health, Superior Health 3, Cancer Treatment Benefit)</i>	17.0%	17.0%
Closed ex-Sovereign		
All closed ex-Sovereign Health products <i>(Private Health, Private Health Plus, Absolute Health, MajorCare, Sure Health, EBS)</i>	17.0%	17.0%

Please note that the above increase amounts are in addition to any applicable age-related increases.



Why are health premiums increasing?

Each year AIA NZ analyses its claims and the cost of servicing a policy carefully, so we can continue to provide comprehensive and competitive health insurance offerings. Consideration is given to our claims experience, the impact of rising medical costs (including medical inflation), and product sustainability.

This year we have observed significantly increased costs across all claims as opposed to specific medical conditions or treatments. Some key contributors to these increased costs include:

1. **Medical Advancements** - these give customers more treatment options, less invasive diagnosis or treatment, and improved patient experience and outcomes. Prices for these medical services rise more quickly than prices in the broader economy due to the development of new medical treatments, drugs, and technologies.
2. **An increase in general medical costs.** Private hospital costs in New Zealand have increased due to supply chain challenges, labour cost increases including sector-wide pay negotiations and workforce shortages.
3. **Growing demand for health services due to ageing population and growth in chronic diseases.** In New Zealand, we have observed increased rates of heart disease, cancer, diabetes, and obesity, brought about by worsening lifestyle factors such as diet and exercise. These worsening public health trends lead to a higher demand for health services, which puts upward pressure on private health claims.

Why are premium rate increases the same across all health products this year?

AIA investigates the combined claims experience across all its health insurance products. As part of our review, we consider differences in product design and pricing to ensure that premium increases fairly reflect differences in coverage and relative pricing between different products.

AIA's preference is to increase all health products by the same rate wherever possible, as this ensures fair treatment of customers within closed health products and recognises the option for existing customers to transition to the on-sale product without underwriting. Unless differences in claims experience across different products are significant, we will not generally vary the pricing changes by product.

When are the new premiums effective from?

For new AIA Private Health and Cancer Care policies:

- > New premiums are effective from 1 November 2024. Quotes completed before this date will remain valid for 30 days.

For existing AIA Private Health, Cancer Care, and ex-Sovereign Health insurance policies (including Private Health, Absolute Health and MajorCare):

- > New premiums are effective for policy anniversaries from 20 November 2024. Customers will receive their usual policy anniversary letter about six weeks before their anniversary, along with a Value of Health brochure. Both advise customers that there are options that can improve affordability and recommend customers speak to their adviser

For existing ex-AIA Real Health, Superior Health, Superior Health 3, and Cancer Treatment Benefit:

- > New premiums are effective for policy anniversaries from 1 January 2025 onwards. Customers will receive their usual policy anniversary letter about two months before their anniversary. The letter advises customers to speak to their adviser if their circumstances have changed or if they have any concerns.



What can customers do to manage their premiums?

There are options to make premiums more manageable. We recommend customers speak to their advisers to assess which options are best for them. Options include:

- > Increase excess levels;
- > Consider opting out of CPI indexation on their Risk insurance cover;
- > Request the review of any premium loadings (e.g., smoker loadings* or health loadings); or
- > Reviewing the customer's insurance cover to ensure that they remain appropriate for their needs (e.g., reflective of any changes in family structure or lifestyle).
- > Remove optional benefits (e.g. Specialists & Testing Benefit);
- > Change payment frequency (e.g. monthly to fortnightly) to spread premium payments.

Customers also have the option to add AIA Vitality. With AIA Vitality customers earn points by improving their health in areas such as nutrition, exercise, and mental wellbeing. The more points members earn, the higher their AIA Vitality status and the bigger the rewards.

AIA Vitality members enjoy discounted insurance premiums. The initial discount starts at 10% and increases up to 20% or decreases down to 0% depending on the member's engagement in the programme.

AIA Vitality has a membership fee of \$11.50 per month to cover the cost of offering the programme, but well engaged members can enjoy benefits well above this fee.

*Smoker loadings are only applicable to Sovereign Absolute Health (2008), TotalCareMax Specialist and Diagnostic Testing, Sovereign Private Health (2014 and 2019), AIA Private Health, AIA Cancer Care and AIA Starter Plans Specialist and Diagnostic Testing.

What excess options are available?

We know everyone's situation is different, and we're aware of the impact premium increases can have.

To help keep cover affordable, one key option that can be considered is changing the excess a customer pays. Basically, the higher the excess they choose, the lower their premium will be. However, this would also mean that they would need to be able to fund the higher excess amount in the event of a claim.

With our health policies, customers could receive the following discounts** at each excess option:

AIA, ASB & Sovereign Private Health	Excess	Accumulated Discount
Private Health	Nil	0%
	\$250	17%
	\$500	26%
	\$750	32%
	\$1,000	40%
	\$2,000	55%
	\$4,000	70%

** These discounts are for AIA Private Health, as at 1 October 2024 and are subject to change.

AIA, ASB & Sovereign Private Health	Excess	Accumulated Discount
Private Health Plus	Nil	0%
	\$250	15%

For other AIA or Sovereign Health products there are a range of excess options available for customers to consider. If customers choose a higher excess option, be mindful that while premiums are lower, they may pay more if they need to make a claim.

We recommend customers speak to their advisers to assess which options are best for them.



How will Superior Health - 5 Year aged premiums be affected by this increase?

Customers with an anniversary within a 5-year age band will see their premium increase by 17% to reflect this change in underlying rates but will receive no age-related increase.

Customers moving into a new 5-year age band at their anniversary will see an age-related increase in addition to the 17% underlying rate increase.