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SESSION III,
CASE STUDY: PREMIUM PRICING AND TRANSPARENCY

Premium Pricing and Transparency: Deciding Factors in the Adjustment Process

Dr. Kyriaki Noussia

k.noussia@lexarb.com

INTRODUCTORY THOUGHTS - SETTING THE SCENE

- During the **premium pricing process**

&

- in **subsequent adjustments**

- **various factors**

→ play a key role

FACTORS

- **Transparency and Fairness**
- key principles

- should always be observed
  together with
- general principles of law

- always bearing in mind
  → protection of assured (consumer)

CRITERIA FOR ADJUSTMENT OF PREMIUM PRICING IN HEALTH INSURANCE

- **PARAMETERS - TAKEN INTO ACCOUNT**
  - Evolution of average of the costs of hospitalisation
  - Indexation of compensations as per the cost of living indexes
  - Statistical and actuarial data and parameters

- **WHAT PRACTICE HAS ALSO SHOWN**

FACTORS AUGMENTING COST OF RISK OF HEALTH INSURANCE

- **FACTORS → AUGMENTING COST OF RISK OF HEALTH INSURANCE**

  ↓

- **SUBSEQUENTLY → LEADING TO HIGH % OF PREMIUM PRICE ADJUSTMENTS**

- **These are factors difficult to predict**

  e.g. → big increase in cost of medical curing process and diagnosis

FACTORS AUGMENTING COST OF RISK OF HEALTH INSURANCE

- Such an increase in cost

  ↓

  due to - evolution of medical science &

  - evolution of new, expensive ways of treatment

- MOREOVER → does not exist in Greece reliable medical services index

FACTORS AUGMENTING COST OF RISK OF HEALTH INSURANCE

- **Health Insurance**

  → forms special, eminent category of insurance

  → whereby premium

  → calculated, formed on basis of claims

  → paid by insurance company in the previous year

FACTORS AUGMENTING COST OF RISK OF HEALTH INSURANCE

Any control

- **re the configuration**
- **of non-reasonable premium pricing**

  → falls under

  jurisdiction of Competition Authority

FACTORS AUGMENTING COST OF RISK OF HEALTH INSURANCE

- **The premium pricing adjustment clause**

  → may contain
  general principles of underwriting

  → may be based on factors
  which the insurer considers

  → based on internationally
  recognized principles
  of the insurance + actuarial sciences,
  as well as on technical and market factors

OTHER FACTORS FOR RISE IN PREMIUM ADJ. PRICES

- **Rise on reinsurance premiums**

  (foreign reinsurers)

  - due to the increase of the country risk
- **Tightening of rules**
- **Further increase of regulatory capital**

  via the premium price adjustment

INTERACTION OF THE PREMIUM ADJUSTMENT PROCESS AND LAW 2251/1994

- **Law 2251/1994 (on consumer protection)**

  - does not regulate

  - control of premium price adjustments & rises

BUT

  - only the way in which premium price adjustments are effected

&

NOT

  - how big this adjustment is

INTERACTION OF THE PREMIUM ADJUSTMENT PROCESS AND LAW 2251/1994

- **LAW 2251/1994**

  → does not impose determination of satisfactory to the customer price

- **ILLEGAL & AGAINST EU LAW (INS. & COMPETITION)**

  - indirect control of freedom to formulate premium price
  - inclusion / imposition of obstacles to free price adjustments via regulations & admin. practices

GERMAN LAW POSITION

- **In Germany**

→ **adjustment clause**

→ **needs be fair and transparent**

OTHERWISE

→ **it is subject to a review**

→ **by a 3-party committee which re-adjusts it**

CONCLUSIONS

- **Not right to state the % of adjustment**

  - that would make

  - such an adjustment fair and reasonable

- **If we do so**

  - we act in a way

  - that we try to regulate pricing

  - this is against

  - national, EU law (competition)

CONCLUSIONS

- **What we only can do is**

  - set the criteria

  - that should be taken into consideration

  - when adjusting the premium

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THANK YOU FOR YOUR ATTENTION !

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