

Lyons Financial Services wish to comment on some of the issues raised in the Lifetime Community Rating Consultation Paper as set out below.

### **Insurers' documentation of LCR loadings**

Over 10,000 lives are paying Lifetime Community Rating loadings as at 1 July 2016. It has been asserted that some policyholders are not aware that they are paying these loadings, especially those in employer sponsored schemes. As a result, some lives may not be claiming credit for previous periods of eligible cover.

***Should the documentation issued to new insured lives be amended (and if so, how) to make it clearer how the LCR loading might be lowered if the insurer was provided with details of previous eligible cover?***

Yes, the documentation should prominently display a reference to loadings along the lines of the following;

*Are you aware your loadings may be reduced or waived under the following circumstances?*

- 1. If you previously held a health insurance policy in Ireland (you get a credit for that)*
- 2. If you stopped your insurance cover for periods of unemployment since January 2008, up to three years of credits can be provided*
- 3. If you lived outside the State on 1<sup>st</sup> May 2015 and subsequently return and take out health insurance within 9 months of your return*

*Please take the time to consider the above as savings on loadings may be available.*

To make it clear, the above should be highlighted on the Membership Certificate so that members are fully informed. As the premium alters each year, this information should also be provided on the Renewal documentation.

### **People moving overseas post 1 May 2015 and then returning to Ireland**

Anyone whose principal residence on 1 May 2015 was outside the State and returns to live in the State can avoid Lifetime Community Rating loadings by taking out the cover within nine months of returning to Ireland.

People who move abroad post 1 May 2015 and subsequently return to Ireland when aged 35 or over may have LCR loadings applying. A number of employers who move their staff overseas have made representations to the Authority that relief from loadings should apply to their returning staff.

***Should there be a change in legislation so that an exemption from LCR loadings applies along Australian lines for people moving to / returning to Ireland? 1094 days total.***

This will not solve the issue of LCR for many people as the Australian model provides for a total absence of 1094 days. If those days are exceeded an additional loading of 2% per year

is applied on top of current loading. Many people working abroad and returning to Ireland would exceed this limit and would therefore be subjected to LCR.

***There are 2 ways this can be resolved;***

1. Remove the date of 1<sup>st</sup> May 2015 from the legislation and allow everybody the current 9 month window to set up health insurance. This would mean that LCR no longer applies to anyone returning or relocating to Ireland.
2. Alternatively, the date of 1<sup>st</sup> May 2015 could be removed just for those and their families who are obliged “because of the nature or contract of their employment” to work abroad for periods of time.

In some instances, contracts of employment actually state that ‘working abroad is an obligatory part’ of the employee’s job. Therefore, to allow for this transient employee, removal of the ‘date’ with specific consideration to those and their families required by the nature or contract of employment to be based abroad, resolves the LCR burden.

There is a certain perceived unfairness that LCR is imposed on these types of employees who through no fault of their own had a break in cover on their domestic health insurance policy. This applies across both private and public sector bodies.

It is our view that the removal of the date **completely** would resolve the issue, in the interests of everybody and not just a specific group of individuals.

**Defence Forces**

Defence Forces personnel and their families are covered by international health insurance plans on deployment overseas. These plans are not eligible cover for the purposes of LCR loadings.

A historical arrangement exists whereby members of the Defence Forces can attend a Defence Forces Medical Officer when requiring medical treatment with the cost of any private treatment covered by the Medical Corps.

These health arrangements cease when the defences member *retires* from or leaves the Defence Forces. If the person takes out private health insurance at that time, the period of employment in the Defence Forces is not taken into account in assessing LCR loadings.

***Should the LCR legislation be amended in respect of the Defence Forces and if so, in what manner should it be amended?***

It is our experience that many members of the Defence Forces despite being covered by the Medical Corps also opt to pay for private health insurance.

Where a member is deployed abroad, implementing our suggestion outlined above would remove the issue in relation to LCR. Therefore the Defence Forces staff and their families, who do not have health insurance, could sign up to health insurance without a loading when they retire. They do still have to serve Waiting Periods as standard which is in keeping with current policy which we think is acceptable.

### **Period of time that LCR loadings apply**

In Ireland, LCR loadings apply for life. In Australia, the loadings apply for 10 years.

### ***Should the period of time that LCR loadings apply be changed and if so in what manner should they be changed?***

LCR should continue to apply for life. Some of the reasons LCR was introduced was to offset the claims for older members who decided not to take out their cover at a younger age and also to encourage younger members to join. In addition younger members would be less inclined to cancel their health insurance. If later in life, treatment is required they have paid into the pool. The positive impact should be that insurers could reduce the number of premium increases due to a larger pool of members with a lower average age.

We believe that this is an appropriate measure and should not be adjusted. In fact more emphasis should be placed on the promotion of taking out health insurance before the age of 34 and retaining cover throughout one's lifetime.

As an insured person gets older, they are statistically more likely to claim than a younger person, therefore the removal of a loading just at the costly stage of the insured life, doesn't merit consideration.

END