



Insurance Ireland Submission to the Health Insurance Authority
Lifetime Community Rating Consultation Paper
3rd March 2017

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Executive Summary

Insurance Ireland is the Voice of Insurance representing approximately 96% of the Irish health Insurance market, 95% of the general insurance market and 80% of the international life Insurance market. Insurance Ireland members pay out more than €10 billion in claims and benefits to Irish customers and contribute over €1.8 billion in tax to the Irish exchequer per annum. Our industry holds over €200 billion in assets in Ireland of which €30 billion is invested in Irish infrastructure and government debt. It generates €25 billion in premium income (domestic and overseas) and employs more than 28,000 people. Our Private Health Insurance members are major contributors and key stakeholders in the provision of affordable healthcare to 46% of the population.

We welcome the opportunity to submit our views on the consultation and acknowledge the importance of such consultations to ensure the sustainability of the health insurance market and the future workings of Lifetime Community Rating.

1. Insurers' documentation of LCR Loadings

Insurers have made every effort to ensure that the documentation currently issued is clear and concise regarding the loadings applied and how they may be lowered if further details of previous eligible cover is provided. The combination of disclosure requirements set out within the Health Insurance Acts, the requirements of the Consumer Protection Code (CPC) and guidance issued from the Central Bank of Ireland have made this documentation complex and unwieldy for the consumer.

Insurance Ireland would propose that the documentation issued for renewals and new business be re-examined to encourage co-operation and integration of requirements between regulators to ensure consistency in approach and language used.

Insurers initially exchange information as required by Lifetime Community Rating legislation with a view to confirming the credited period of the policyholder. Where there is inconsistency in information that has been provided by the policyholder with the information exchanged between insurers, the policyholder is notified by their insurer on the steps that would allow insurers to satisfy themselves in confirming credited periods of insurance. Where loadings are applied, they are contained within the member certificate issued to the consumer.

Insurance Ireland is proposing that the existing communications strategy on LCR, carried out by the Health Insurance Authority be improved so that the member is equipped with sufficient information and has a clear understanding of the LCR loadings and various credit periods they can avail of. One such tool that is used in Australia is a "Lifetime Health Cover Calculator" A tool of similar structure could be made available on the authority's website considering its role in providing clear, transparent information and advice to the general public.

2. People moving overseas post 1st May 2015 and then returning to Ireland.

The period after the economic recession saw an increase in Irish citizens emigrating and leaving the State, where an estimated 235,000 people left the private health insurance market between December 2009 and December 2014. In their absence LCR was introduced with the primary purpose to "encourage people to join the market at a younger age and discourage younger people from exiting the market". As things currently stand those individuals who moved abroad post 1st May 2015 and aged over 35 upon their subsequent return to Ireland will have LCR loadings applied to their premiums.

Insurance Ireland would support a change in the legislation that would allow for an exemption from LCR loadings similar to the Australian model. This would be similar to current practice for those that live outside the State on 1st May 2015 and subsequently move to Ireland. These individuals currently have nine months to purchase a PMI product to avoid a loading under Lifetime Community rating.

This exemption should only allow a credited period for the years spent abroad. To avoid abuses, Insurance Ireland would suggest an exemption for persons who have spent periods of more than one year outside the state. For the years prior to leaving Ireland, credit periods will be calculated based on health insurance cover held in that period to ensure fairness for all members of the community rated market.

In addition, individuals who purchase PMI on returning to Ireland after the 1st of May 2015 will still have to serve 26 weeks initial waiting periods and five years for pre-existing conditions.

3. Defence Forces

Insurance Ireland does not agree with amending the LCR legislation mentioned in respect of the Defence Forces. Insurance Ireland wish to clarify the objective criteria upon which the Defence Forces, or indeed any organisation which self-insures their members, should qualify for a waiver of their members LCR penalties should they take out a PMI policy. Insurance Ireland is concerned that discretionary issuance of waivers for LCR penalties given to companies that self-insure their members. This would create a precedent which could ultimately undermine market sustainability and the principle of community rating whereby companies would be incentivised to self-insure their low-risk customers and PMI plans are left to insure the remaining higher risk customers. It should be borne in mind that such members of self-insured schemes do not contribute to the community rated market and it is difficult to understand the rationale in justifying the waiving of loadings for anyone who has chosen not to participate in the community rated market.

Insurance Ireland would recommend that the current practice stay in place.

4. Period of time that LCR loadings apply.

Insurance Ireland would recommend that more analysis of the Australian scheme is undertaken to understand the rationale for the introduction of the cap on the number of years LCR loadings applied for and how it arrived at the threshold number of years to remove the loadings.

5. Other issues.

The introduction of Lifetime Community Rating has made a positive impact on the health insurance market. However, insurers are encountering practical difficulties in administering LCR that needs to be improved upon to enhance the customer experience.

The introduction of the LCR mandatory loadings brought about complex administration process changes and fundamental document modifications in order to capture the policyholders' information with respect to episodes of previous cover and statements of loadings that apply. The requirement to hold data for twenty years appears onerous when normal data protection legislation requires data to be held for six years.

An ongoing issue is where insurers may not have all the available data that a consumer might expect them to have. This relates to the summary credit period passed between insurers which is used as the base for all calculations should a customer have a break in cover and then seek insurance again and if the insured had more than one previous insurer this information may be incomplete.

In the event that an insurer does not have a record that an insured might expect them to have the LCR administration process has become very manual and inefficient and it is difficult to obtain a policyholder's previous credit periods/statement of loadings when moving from one health insurer to another even with the best efforts of insurer and the customer.

To facilitate more automated administration and reduce costs for consumers an expanded EDI file is necessary. Insurance Ireland is proposing that the contents of this expanded EDI file is agreed by a forum of Insurers and the Health Insurance Authority with a central database of all member's loadings/or credited period of insurance created and held by the HIA/Central Bank of Ireland. Such a database would make the validation of information

easier and would also offset the risk of any such data no longer being retrievable to verify loadings and credited periods should an insurer exit the market in the future.

Insurance Ireland are strongly of the view that there is a need for an ongoing consultation process like the existing review every two years. The PMI market is constantly evolving and Insurance Ireland believe the establishment of a structured forum as outlined above should meet on a half yearly basis to establish practical and sensible solutions to any issues that may arise.

ENDS.