HIA Assessment of Overcompensation in the Irish Health Insurance Market 2026

Contents

1. Overview

This Report summarises the Health Insurance Authority ("Authority") assessment of Overcompensation for the 2023 to 2025 period. The Authority used the information furnished as per Section 7F, subsection (1) of the Health Insurance Act 1994 (as amended) ("the Act"), by each of the open membership undertakings subject to Risk Equalisation.

In carrying out the assessment, the Authority was assisted by analysis carried out by KPMG. Their report is referred to in this report and published alongside it.

The report is made up of the three steps shown below:

1. **Step 1 - Determining a Net Beneficiary of the RES**
2. **Step 2 - Determination of Reasonable Profit**
3. **Step 3 – Overcompensation Assessment**

One of the Authority's principal functions is the following:

- To manage the health insurance stamp duty, risk equalisation credits, and the Risk Equalisation Scheme (RES).

The Authority advises the Minister for Health on Age Related Health Credits, Hospital Utilisation Credits (HUC) and High Cost Claims Pool (HCCP) credits and administers the Risk Equalisation Fund (REF). Through the REF, credits are paid to registered undertakings, supported by community rating stamp duty collected by Revenue.

The Risk Equalisation Scheme (RES) has been approved as State aid in the form of compensation for a Service of General Economic Interest (SGEI). Under the applicable European Commission framework, compensation must not exceed the net cost of discharging the public service obligation, including a reasonable profit.

Under Section 7F of the Act, the Authority is required to carry out an overcompensation assessment on a rolling three-year basis. This assessment requires the Authority to determine whether a net beneficiary of the RES has made a profit in excess of the defined reasonable profit threshold in respect of its relevant health insurance business.

Links to previously published Overcompensation reports are shown below:

HIA Overcompensation Report 2021

HIA Overcompensation Report 2022

HIA Overcompensation Report 2023

HIA Overcompensation Report 2024

HIA Overcompensation Report 2025

2. Step 1: Determining a Net Beneficiary of the RES

The legislation (Section 7F of the Act) sets out the procedure for the assessment of overcompensation in the Irish health insurance market.

Firstly, the Authority determines whether and which registered undertakings have had a **net positive financial impact** from the RES. A net positive financial impact arises where the cumulative net financial impact of RES flows is positive for a registered undertaking over the applicable three-year period.

The net RES flows provided by registered undertakings to the Authority for the purposes of the overcompensation assessment are assessed on an earned basis and must be consistent with the underlying profitability presented in the profit and loss accounts. These profit and loss accounts form the basis of the reasonable profit assessment. As such, the assessment reflects the economic impact of the RES as recorded in the financial statements, including relevant accounting adjustments, rather than solely cash movements within the Risk Equalisation Fund.

For the purposes of calculating the net financial impact of payments:

- RES flows are calculated on an earned basis before allowance for the impact of reinsurance (if applicable).
- The earned RES flows from the beginning of the first year of the applicable three-year period to the end of the last year of that period are included in the assessment. This is consistent with the financial results upon which the reasonable profit assessment is based.

For the purposes of the assessment, a **net beneficiary** is defined as a registered undertaking for which the cumulative net financial impact of RES flows is positive over the applicable three-year period.

Registered undertakings (and former registered undertakings) are required to submit profit and loss accounts and a balance sheet to the Authority.
Aviva Insurance Ireland DAC, AXA Insurance dac, Elips Versicherungen AG, Irish Life Health dac and Vhi Insurance DAC made submissions to the Authority for the purposes of this overcompensation assessment.
The aggregate RES flows were separately calculated for each of the reporting years 2023, 2024 and 2025.

The table below summarises the net financial flows for each of the registered undertakings (see KPMG report):

Net RES Flow €m	Aviva Insurance Ireland DAC **	AXA Insurance dac	Elips Versicherungen AG ***	Irish Life Health dac	Vhi Insurance DAC	Market *
2023	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	84.8
2024	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	15.8
2025	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	6.4
Total	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	**107.0**

* The Net RES Flow in the above reporting periods do not balance to zero. This arises due to a combination of surpluses / deficits that exist within the RES fund when calibrating credits and also differences in accounting treatment when calculating the RES flows by the different registered undertakings, e.g. differing views on HUC provisions.
** Aviva Insurance Ireland DAC (branded as Level Health), entered the health insurance market in late 2024. While Aviva Insurance Ireland DAC was a net beneficiary in the period with a positive cumulative net financial impact from the RES of [redacted], an overcompensation assessment has not been performed as the requirements of Section 7F, subsection 4A of the Health Insurance (Amendment) Act 2021 have not been met, whereby the overcompensation assessment applies to a 3 year period.

*** Elips Versicherungen AG ceased to underwrite new policies from 1 January 2025; thereafter new and renewing Laya Healthcare plans were underwritten by AXA Insurance dac.

Based on the analysis performed by KPMG, the Authority has concluded that Vhi Insurance DAC was a net beneficiary of the RES for the period from 1 January 2023 to 31 December 2025. Vhi Insurance DAC had a positive cumulative net financial impact from the RES during this period of [redacted] .

Conclusion

Having determined that Vhi Insurance DAC was a net beneficiary of the RES, the Authority proceeded to Step 2 of the methodology to determine whether the undertaking has made a profit in excess of a reasonable profit.

3. Step 2: Determination of Reasonable Profit

Section 7F, subsection (4A) states that the Authority shall take what would constitute a reasonable profit for a registered undertaking in respect of its relevant health insurance business in the State, for the applicable three-year period, as being a return on sales, gross of reinsurance and excluding investment income, that does not exceed 6 per cent per annum in respect of that business for that period taken as a whole and as calculated using approved accounting standards and having regard to the European Union framework for State aid in the form of public service compensation (2011) (2012/C8/03).

For the purposes of the assessment, **return on sales** is defined as:

Adjusted Profitability *(i.e. before reinsurance, investment and interest effects and taxation)*
Adjusted Premium *(i.e. earned premium plus RES flows on a gross of reinsurance basis)*

For the purposes of calculating return on sales, the following approach is applied:

- Sales are calculated based on earned premiums, allowing for the impact of risk equalisation flows on a gross of reinsurance basis (referred to as adjusted premium).
- Underlying profitability is adjusted such that:
    - The impact of reinsurance is excluded, and all figures are presented gross of reinsurance
    - Investment income is excluded
    - Interest items (including financing costs and investment-related returns) are excluded
    - Expenses are adjusted to exclude reinsurance and investment-related items
    - Outsourcing arrangements are assessed having regard to the 6 per cent reasonable profit threshold
- The return on sales is calculated using a weighted average over the applicable three-year assessment period.

For the 2025 assessment, covering the period from 1 January 2023 to 31 December 2025, the return on sales has been calculated based on a weighted average of the return on sales for each of the years 2023, 2024 and 2025.

KPMG calculated adjusted profitability and adjusted premium based on the profit and loss information submitted by Vhi Insurance DAC for the period. For the purposes of this calculation, adjusted premium is defined as:

Adjusted Premium = Earned Premium + RES flows

The table below shows the Adjusted Premium for Vhi Insurance DAC:

P&L Item (€m)	**2023**	**2024**	**2025**	**Total**
Gross premiums written	[redacted]	[redacted]	[redacted]	[redacted]
+ (changes in) the provision for unearned premiums gross of reinsurance	[redacted]	[redacted]	[redacted]	[redacted]
+ Impact of Risk Equalisation Scheme (Gross)	[redacted]	[redacted]	[redacted]	[redacted]
Adjusted Premium	[redacted]	[redacted]	[redacted]	[redacted]

Using the Adjusted Premium set out above, return on sales is calculated (as defined earlier).

The table below presents the return on sales calculation for Vhi Insurance DAC for the years 2023, 2024 and 2025:

P&L item (€m)	**2023**	**2024**	**2025**	**Total**
Adjusted Profitability	[redacted]	[redacted]	[redacted]	[redacted]
Restriction In Respect of Outsourcing Arrangements	[redacted]	[redacted]	[redacted]	[redacted]
Final Adjusted Profitability	[redacted]	[redacted]	[redacted]	[redacted]
Adjusted Premium	[redacted]	[redacted]	[redacted]	[redacted]
Return on sales	[redacted]	[redacted]	[redacted]	[redacted]

Based on this analysis, the Authority concluded that the weighted average return on sales, gross of reinsurance and excluding investment income, for Vhi Insurance DAC over the three-year period from 1 January 2023 to 31 December 2025 was [redacted]

4. Step 3: Overcompensation Assessment

The final step in the analysis is to determine, based on the preceding steps, whether overcompensation has occurred for the relevant period. Section 7F, subsection (7) of the Act sets out the requirements for how the Authority is to determine whether overcompensation has occurred.

Section 7F requires the Authority, where a registered undertaking has been determined to be a net beneficiary of the Risk Equalisation Scheme (RES), to assess whether the undertaking has made a profit which is in excess of a reasonable profit in respect of the relevant period.

In determining reasonable profit, regard is had to the European Commission's framework for State aid in the form of public service compensation (the SGEI Framework), which provides that compensation must not exceed that necessary to cover the net cost of discharging the public service obligation, including a reasonable profit.

For the purposes of the Act, reasonable profit is defined as a return on sales, gross of reinsurance and excluding investment income, that does not exceed 6 per cent per annum over the applicable three-year period.
Accordingly, the Authority assesses whether the return on sales earned by a net beneficiary exceeds this 6 per cent threshold over the relevant period.

Based on the analysis undertaken in Steps 1 and 2 for the period from 1 January 2023 to 31 December 2025:

- Vhi Insurance DAC was determined to be a net beneficiary of the RES
- Vhi Insurance DAC had a positive cumulative net financial impact from the RES of [redacted] million
- Vhi Insurance DAC had a return on sales, gross of reinsurance and excluding investment income, of [redacted] over the three-year period.

As the return on sales over the period was below the 6 per cent reasonable profit threshold, the Authority concluded that Vhi Insurance DAC, as a net beneficiary of the RES, did not make a profit in excess of a reasonable profit in respect of its relevant health insurance business in the State for that period. Accordingly, no overcompensation arises.