

# Annual Report and Accounts 2011



An tÚdarás Árachas Sláinte  
The Health Insurance Authority



**The Health Insurance Authority**

Canal House, Canal Road, Dublin 6.

LoCall: 1850 929 166

Tel: (01) 406 0080

Fax: (01) 406 0081

Email: [info@hia.ie](mailto:info@hia.ie)

Website: [www.hia.ie](http://www.hia.ie)

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# 1. Chairman's Statement

In accordance with Section 33(2) of the Health Insurance Act, 1994, I am pleased to present the Annual Report and Accounts of The Health Insurance Authority for the year ending 31 December 2011.

The principal objective of the Authority is set out in the Health Insurance Acts and is focussed on the maintenance of community rating in the health insurance market. For this purpose a range of supports is required. In particular, such a market requires robust rules governing open enrolment, risk equalisation and minimum benefit. In recent years, significant measures have been taken to introduce and strengthen supports for community rating. However, it remains the case that the legislative structure of the market is not sufficient to support a truly community rated market and market developments reflect this reality.

The year ended 31 December 2011 saw an increase in the level of risk segmentation in the market, whereby, through marketing and product development, insurers sell different products to different risk groups. This enables insurers to charge these groups different premiums. This segmentation has been accompanied by large price increases, particularly for products with a large number of older members. The result of these strategies is that, contrary to the principal objective, on average, older people pay more for health insurance than younger people. This indicates that significant further measures are required to support community rating.

In late 2011, the Authority recommended significant increases in age related tax credits, which support community rating under the current risk equalisation system. The Authority's recommendation in this regard was implemented for 2012.

The Authority has also provided a range of advice on increasing the longer term supports for community rating. In particular, the Authority has submitted Reports advising on significant changes to the Risk Equalisation System and to Minimum Benefit Regulations. In 2011, at the request of the Minister, the Authority conducted a review of health insurance legislation, submitting its Report to the Minister in October. The Government has decided to introduce a new risk equalisation system by 1 January 2013. Other measures, especially in relation to benefit and product rules, will also be necessary in order to provide support for community rating.

The Programme for Government provides for the introduction of a system of universal health insurance by 2016. The introduction of universal health insurance will involve major changes in the regulation of the Irish health insurance market and the Authority's advice reflects both the need to support the current voluntary health insurance system and the need to establish an appropriate regulatory framework for a universal health insurance market.

The economic downturn continues to impact on the health insurance market. Consumer research conducted by the Authority in 2011 shows that, while health insurance continues to be highly valued by consumers, affordability is increasingly becoming an issue in current economic conditions and as premiums continue to rise. The number insured, which had peaked at the end of 2008 has now declined for the third year in succession. During 2011, the total number insured fell by 66,000 to 2.16m. This follows declines of 37,000 and 32,000 in 2009 and 2010 respectively. This decline in the number of Insured has been most marked in the 18-29 age group. A continuing inflow of new younger customers is important for the stability of a voluntary health insurance market. The decline in the market impacts on the rate at which it is ageing, resulting in increased premium inflation. There is also a risk, given the continuing economic downturn and premium inflation, that the rate of decline will accelerate, increasing the strain on the market.

The Authority's consumer information function continues to increase in popularity, with around 400,000 contacts in 2011, accessing information from the Authority's website, consumer information booklets and through direct contact with the Authority's staff. The information provided enables consumers to compare benefits and prices across the full range of health insurance plans provided by all insurers. The Authority also provides information through the media and with the renewal statements issued by insurers.

I am pleased to recognise the work and dedication of the Members of the Authority during 2011. I would also like to thank the Minister for Health, Dr. James Reilly T.D., as well as officials in his Department, for their support during the year.

Finally, the Authority expresses its appreciation for the work done by the staff of the Authority and for the commitment shown by them throughout 2011.



**J. Joyce**  
*Chairman*

25 June 2012

## 2. Membership and Management of the Authority

### Membership

The Members of the Authority are appointed by the Minister for Health for a term of five years. The Members of the Authority are:

#### **Mr. Jim Joyce (Chairman)**

Mr. Joyce became Chairman of the Authority on 1 February 2006. Mr. Joyce is a Fellow of the Institute of Actuaries and the Society of Actuaries in Ireland and served as President of the Society for 1999/2000. His early career was in the Civil Service ending as Assistant Secretary in the Department of Posts and Telegraphs, following which he was Executive Director of Telecom Éireann from 1984 to 1992. He was Actuarial Consultant to the Department of Enterprise, Trade and Employment and then to the Irish Financial Services Regulatory Authority from 1992 to 2005.



#### **Ms. Mary Doyle – Term ended 31 January 2011**

Ms. Doyle is the Head of Prudential Supervision and Risk with the Irish Banking Federation. She is an Economist with extensive experience of Irish banking and business, focused on strategic economic analysis and developments in banking regulation. Ms. Doyle has acted as an Economic Consultant for the World Bank and has undertaken research in the fields of training, tourism and E.U. regional policy. She has been a member of a number of industry-wide advisory groups, including the Irish Business and Employers' Confederation and the Irish Banking Federation.



### **Mr. Dónall Curtin**

Mr. Curtin is a founder and Senior Partner of Byrne Curtin Kelly (Certified Public Accountants). He is a member of the Institute of Certified Public Accountants in Ireland. He is a Director on the Board of the Dublin Docklands Development Authority. Mr. Curtin is also a Director of Chambers Ireland and a member of the Chartered Institute of Arbitrators with considerable experience in arbitration, mediation and dispute resolution.



### **Ms. Sheelagh Malin**

Ms. Malin is Managing Director of St. James's Place International plc, which is part of the U.K. wealth management group St. James's Place. She has over 20 years management experience in the life assurance industry, including roles in marketing and product development, financial reporting, compliance and the statutory "appointed actuary" function. She is a Fellow of the Society of Actuaries in Ireland and has participated in actuarial working parties on financial reporting, expense reserving and consumer information for cross-border life assurance business.



### **Mr. Paul Turpin**

Mr. Turpin is a Governance Specialist with the Institute of Public Administration (I.P.A.) providing advisory and training services. Before joining the I.P.A. in 2006, he held a number of senior positions in banking and investment management. Previously he has worked in the public sector, including as Economic Adviser to Government Departments, with the National Economic and Social Council and with the European Commission.



## Management

The Management of the Authority are as follows:

**Mr. Liam Sloyan** *Chief Executive/Registrar*

Mr. Sloyan is a Fellow of the Society of Actuaries in Ireland and a Fellow of the Institute of Actuaries in the UK. He also has a MSc in Mathematics and Statistics. Prior to joining the Authority, he worked as a Consultant in the life assurance industry, mainly in relation to actuarial and compliance matters.



**Mr. Eamonn Horgan** *Corporate Affairs Manager/  
Secretary to the Authority*

Mr. Horgan holds a Master of Science degree, and post graduate qualifications in business and finance and in corporate governance. He held operations and production management positions in private industry before joining the Authority as Corporate Affairs Manager.



**Mr. Brendan Lynch** *Head of Research/Technical Services*

Mr. Lynch is an Economist and also a qualified Solicitor. He has a Masters degree in economics and a Diploma in European Law. He has worked as an Economic Consultant, Stockbroker Economist and as an Economic Adviser to the Minister for Finance.



**Mr. Micheal O'Briain** *Head of Regulatory Affairs*

Mr. O'Briain is a Fellow of the Society of Actuaries in Ireland. He has over 30 years management experience in the life assurance industry. He was Executive Director and Appointed Actuary of a large Irish life assurance company prior to joining the Authority as Head of Regulatory Affairs.



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# 3. Functions of the Authority

The Authority was established by Ministerial Order on 1 February 2001 under the Health Insurance Act, 1994 and operates in accordance with the provisions of this Act and the Health Insurance (Amendment) Acts (collectively “the Health Insurance Acts”).<sup>1</sup>

The Health Insurance Acts provide for the regulation of the business of private health insurance in Ireland following the enactment of the European Union “Third Non-Life Insurance Directive”. This Directive sets out the requirements of the internal market for Member States regarding non-life insurance, including health insurance. This European legislation allows individual Member States to adopt the specific requirements in a manner most appropriate to their particular national legal system and national healthcare system.

The Health Insurance Acts set out the principal objective of the Authority as follows:

“The principal objective of the Minister and the Authority in performing their respective functions under this Act is to ensure, in the interests of the common good, that access to health insurance cover is available to consumers of health services with no differentiation made between them (whether effected by income tax or stamp duty measures or other measures, or any combination thereof), in particular as regards the costs of health services, based in whole or in part on the respective age range and general health status of the members of any particular generation (or part thereof), and taking into particular account for the purposes of that objective –

- (a) the fact that the health needs of consumers of health services increase as they approach and enter old age;
- (b) the desirability of ensuring, in the interests of societal and intergenerational solidarity, and regardless of the age range or health status of any particular generation (or any part thereof), that the burden of the costs of health services be shared by insured persons by providing for a cost subsidy between the young and the old and, without prejudice to the generality of that objective, in particular that the old have access to health insurance cover by means of a tax credit; and
- (c) the manner in which the health insurance market operates in respect of health insurance contracts, both in relation to individual registered undertakings and across the market.”

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<sup>1</sup> The Health Insurance Act, 1994 (Establishment Day) Order, 2001 (S.I. No. 40 of 2001).

Community rating is defined as any measures that support the principal objective. The Acts also set out the other principles of health insurance regulation, open enrolment, lifetime cover and minimum benefit.

The functions of the Authority are as follows:

- To monitor the health insurance market and to advise the Minister (either at his or her request or on its own initiative) on matters relating to health insurance;
- To monitor the operation of the Health Insurance Acts and, where appropriate, to issue enforcement notices to enforce compliance with the Acts;
- To carry out certain functions in relation to health insurance stamp duty and age related tax credits and in relation to any risk equalisation scheme that may be introduced;
- To take such action as it considers appropriate to increase the awareness of members of the public of their rights as consumers of health insurance and of health insurance services available to them; and
- To maintain “The Register of Health Benefits Undertakings” and “The Register of Health Insurance Contracts”.

The Authority shall exercise such powers as are necessary for the performance of its functions. The Minister for Health (“the Minister”) may assign further responsibilities to the Authority as provided for in the Acts.

## 3.1 Regulation

### 3.1.1 Regulatory Structure of the Market

The Irish private health insurance regulatory system is based on the key principles of community rating, open enrolment, lifetime cover and minimum benefit and aims to ensure that private health insurance does not cost more for those who need it most. The system is unfunded, meaning that there is no fund built up over the lifetime of an insured person to cover their expected claims cost. Instead, the money contributed by insured people is pooled by each insurer and the cost of claims in any given year taken from the pools.

It is in this context that the concept of community rating must be understood. This means that the level of risk that a particular consumer poses to an insurer does not affect the premium paid. In other words, everybody is charged the same premium for a particular plan, irrespective of age, gender and the current or likely future state of their health subject to exceptions in respect of children under 18 years of age, students under 23 in full time education, members of group schemes and pensioners of restricted membership undertakings.

Open enrolment and lifetime cover mean that, except in very limited circumstances specified in legislation, health insurers must accept all applicants for health insurance and all consumers are guaranteed the right to renew their policies regardless of their age or health status.

Under the Minimum Benefit Regulations, all insurance products that provide cover for inpatient hospital treatment must provide a certain minimum level of benefits. It is considered necessary to regulate the minimum level of benefits because of the complex and specialist nature of private health insurance products, which without regulation, could result in consumers being provided with products that do not provide a sufficiently comprehensive level of cover.

The Health Insurance Acts set out the principal objective of the Minister and the Authority under the legislation. The principal objective is directly linked to the concept of community rating and includes *“to ensure, in the interests of the common good, that access to health insurance cover is available to consumers of health services with no differentiation made between them (whether effected by income tax or stamp duty measures or other measures, or any combination thereof), in particular as regards the costs of health services, based in whole or in part on the respective age range and general health status of the members of any particular generation (or part thereof)...”*.

### 3.1.2 Risk Equalisation

Risk equalisation is a process that aims to address differences in insurers' claim costs that arise due to variations in the health status of their members. Risk equalisation involves payments to or from insurers related to the risk profile of their membership. Risk equalisation is a common mechanism in countries with community rated health insurance systems and the introduction of a Risk Equalisation Scheme in Ireland is provided for in the Health Insurance Acts.

In 2003, the Minister for Health and Children introduced a Risk Equalisation Scheme under the Health Insurance Acts. Under the Scheme, payments would only commence if the Authority recommended that they be commenced and the Minister accepted the Authority's recommendation. The Minister decided, on the Authority's recommendation, to commence risk equalisation under the then applicable legislation as from 1 January 2006, but in the event the relevant legislation was overturned in the Courts in 2008.

Following the quashing of the 2003 Risk Equalisation Scheme in 2008, the then Government announced its intention to introduce a new risk equalisation system that is "robust, transparent and effective". The Government recognised that such a system would take significant time to develop and introduced an interim system in the Health Insurance (Miscellaneous Provisions) Act, 2009.

### **Interim Taxation Based Risk Equalisation System**

#### ***The Health Insurance (Miscellaneous Provisions) Act, 2009***

The Health Insurance (Miscellaneous Provisions) Act, 2009 introduced a tax based risk equalisation system. The Act provides that Open Membership Insurers receive higher premiums in respect of insuring older people, but that older people receive tax credits equal to the amount of the additional premium so that all adults are charged the same net amount for a particular level of cover. In this way all adults with that level of cover pay the same net amount but insurers receive higher gross premiums in respect of insuring older people to partly compensate for the higher level of claims. The tax credits in the policy year starting in 2011 were €625 for those aged 60 to 69; €1,275 for those aged 70 to 79 and €1,725 for those aged over 80.

In order to fund the system, insurers pay a community rating levy in respect of all individuals that they cover. In 2011, this levy was €205 for adults and €66 for children.

The community rating levy and tax credits, like the existing tax relief at source of 20% of premium, are administered by the health insurance undertakings. The 2009 Act provided that the interim measures would be in place for three years (i.e. it applies for policies commencing in 2009, 2010 and 2011).

#### ***The Health Insurance (Miscellaneous Provisions) Act 2011***

In 2010 the Minister decided to continue with a tax based risk equalisation system for a further year. In its December 2010 Report on Risk Equalisation, the Authority recommended that amendments be made to the system so that tax credits would be paid on the basis of 5 year, rather than 10 year age bands. The Authority also recommended that insurers would be required to provide more detailed information returns including data by year of age and by insurance product. The Authority provided advice to the Minister and the Department of Health in relation to the legislation required to achieve these amendments. The amendments were made in the Health Insurance (Miscellaneous Provisions) Act 2011 and in the Health Insurance Act 1994 (Information Returns) (Amendment) Regulations 2011.

### **Age Related Tax Credits and Community Rating Levy for 2012**

The Health Insurance (Miscellaneous Provisions) Act, 2009 sets out how the age related tax credits are determined:

- The Authority evaluates and analyses claims, population and other data included in returns from insurers every 6 months;
- Once a year (in the autumn) the Authority issues a report to the Minister on its evaluation and analysis of these returns, if requested to do so by the Minister. This report includes recommendations on the amounts of the age related tax credits and the amount of the community rating levy. The recommendations have regard to the principal objective and the objective of avoiding overcompensation; and
- The Minister may, having regard to the Authority's Report, the principal objective and competition make recommendations to the Minister for Finance on the amounts of the age related tax credits and on the amount of the community rating levy. The amounts become law if approved by the Oireachtas.

During 2011, the Authority received information returns for the second half of 2010 and for the first half of 2011 from each of the open membership insurers. A report on the evaluation and analysis of these returns, which included the Authority's recommendation on the amounts of the age related tax credits and community rating levy, was submitted to the Minister in November 2011. In December 2011, the Minister announced that it had been determined that the amounts of the age related tax credits for policies commencing from 1 January 2012 would be as follows:

Age Band	Tax Credits for 2011	Tax Credits for 2012
50-54	Nil	Nil
55-59	Nil	Nil
60-64	€625	€600
65-69	€625	€975
70-74	€1,275	€1,400
75-79	€1,275	€2,025
80-84	€1,725	€2,400
85+	€1,725	€2,700

The community rating levy for policies commencing in 2012 is €285 for adults (€205 in 2011) and €95 (€66 in 2011) for children.

### **Overcompensation Assessment**

The Authority is also required to assess whether the interim measures overcompensate any insurer.

- Once a year, by 1 April, insurers provide the Authority with profit and loss accounts and balance sheets insofar as they relate to business covered by information returns;
- The Authority assesses if any insurer has been overcompensated by the interim measures, enabling them to earn in excess of a reasonable profit. If the Authority is minded to take the view that an insurer has been overcompensated, the Authority will issue a draft report to the insurer. The Authority will then take account of any submissions received from that insurer before deciding whether overcompensation has occurred; and
- If the Authority decides that overcompensation has occurred it issues a report stating the amount of the overcompensation to the Minister and the insurer concerned. The insurer must then refund the amount of overcompensation to the Exchequer.

The second such assessment, which was conducted in 2011, was in respect of the time period 1 January 2009 to 31 December 2010. The Authority determined that a reasonable profit in the Irish private health insurance market in these two years equated to a 10.4% per annum return on capital. The only undertaking that was a net beneficiary in 2009 or 2010 was Vhi Healthcare. The Authority determined that Vhi Healthcare had not been overcompensated in the two year period.

### **2013 Risk Equalisation System**

The Authority is advising the Department of Health in relation to a new risk equalisation system, which will replace the current system from 2013. The 2013 system will include provisions that will allow for risk equalisation payments to vary on the basis of level of cover and health status. It will be operated prospectively by The Health Insurance Authority, with funds collected via a stamp duty by the Revenue Commissioners. In terms of financial arrangements, the main difference between the 2013 system and the interim system is that payments will be disbursed by The Health Insurance Authority rather than by the Revenue Commissioners. The rates of disbursement will be set each year by an Act of the Oireachtas.

### **3.1.3 The Register of Health Benefits Undertakings**

The Authority is responsible for the maintenance of “The Register of Health Benefits Undertakings” (“the Register”). Section 14 of the Health Insurance Acts, provides that any health insurer carrying on health insurance business in Ireland is required to register with and obtain a certificate from the Authority.

Application for renewal of registration is required on an annual basis. Upon registration, a certificate is issued to the health insurer, confirming that the insurer may offer private health insurance in accordance with the terms of its rules and within the relevant legislation.

There are two types of health insurance undertaking in Ireland. Open membership undertakings are health insurers that must accept all customers who wish to obtain private health insurance (subject to certain limited restrictions as specified in the legislation). Restricted membership

undertakings are mainly vocational schemes, membership of which is restricted to employees of particular organisations. The 2009 Act provides that no new restricted membership undertakings may be established.

### ***Quinn Insurance Limited (Under Administration)***

On 30 March 2010, the Central Bank of Ireland was granted an application for the appointment of administrators to Quinn Insurance Limited.

Quinn Insurance Limited (Under Administration), trading as Quinn Healthcare is included in the Register of Health Benefits Undertakings maintained by The Health Insurance Authority. Quinn Healthcare Limited acts as an agent for healthcare products for Quinn Insurance Limited (Under Administration) and administers the policies. While financial supervision and financial regulation of Quinn Insurance Limited (Under Administration) is a matter for the Central Bank of Ireland, the Authority is required to monitor the health insurance market, advise the Minister for Health in relation to the market and provide information to consumers.

In November 2011, Liberty Mutual Group took control of most of the insurance business of Quinn Insurance Limited (Under Administration) with the main exception of health insurance, which remained with Quinn Insurance Limited (Under Administration).

On 23 December 2011, Quinn Healthcare Limited announced the successful completion of talks between the Quinn Group, Quinn Healthcare Limited management and Elips Insurances Limited (which is wholly owned by Swiss Re), regarding the sale of Quinn's health insurance business.

On 1 May 2012, Elips Insurances Limited was added to the Register of Health Benefits Undertakings and Quinn Insurance Limited (Under Administration) ceased effecting health insurance contracts.

Health insurance policyholders with Quinn Insurance Limited (under administration) on 30 April 2012 will continue to be insured by that company until their next renewal date when they will be invited to renew their contracts with Elips Insurances Limited.

Quinn Healthcare Limited, the company that sold and administers contracts on behalf of Quinn Insurance Limited (Under Administration) has been renamed as Laya Healthcare Limited. This company will now sell and administer contracts on behalf of Elips Insurances Limited in Ireland. Elips Insurances Limited will also use the trading name Laya Healthcare in Ireland.

### **3.1.4 The Register of Health Insurance Contracts**

The Authority is responsible for maintaining the "Register of Health Insurance Contracts". Section 7AC of the Health Insurance Acts states that the Register shall be in such form and shall contain such particulars relating to any type of health insurance contract on offer in the State as may be specified by the Authority. The contents of the Register are available for inspection on the Authority's website at: [www.hia.ie/consumer-info/product-register.htm](http://www.hia.ie/consumer-info/product-register.htm) or at the offices of the Authority.

## 3.2 Research and Advice

### 3.2.1 Monitoring the Health Insurance Market

#### Size of the market

The health insurance market is the largest non-life insurance market in Ireland, followed by motor insurance. Premium income in 2011 was €2.0bn, having risen from €1.9bn in 2010. Of the total, €109m was accounted for by restricted undertakings.

As can be seen in *Appendix A*, the number insured in the health insurance market grew for many years until it reached almost 2.3m (51.7% of the population) at the end of 2008. Numbers insured have fallen in the last three years and at the end of 2011, the total number insured was 2.16m, which represented 47% of the population.

The fall in demand for health insurance has been disproportionately manifested in demand by younger adults. Between the end of 2009 and the end of 2011, the number of adults between the ages of 18 and 50 with health insurance fell by 100,000 (-10%), while the number of adults over 50 with health insurance rose by 20,000 (+3%). Consequently, the fact that the market has stopped increasing and has started to reduce has increased the rate at which the market in total is ageing.

In a voluntary community rated market based on intergenerational solidarity, retention of existing profitable members and an influx of new younger members are key to market stability. One option in a voluntary market is to encourage younger people to purchase health insurance through a system of premium loadings for those who wait until they are older before they take out health insurance for the first time (i.e. Lifetime Community Rating). In a universal health insurance market, such a system is not required because everybody is required to have health insurance, regardless of their age.

Vhi Healthcare has lost market share in every year since its monopoly ended in January 1997. At the end of 2011, Vhi Healthcare had 57% of the market, Quinn Healthcare had 21% of the market and Aviva Health had 18% of the market. The remainder of the market was held by restricted membership undertakings. Vhi Healthcare's losses in terms of market share have been predominantly in the younger age cohorts, so that, by the end of 2011, Vhi Healthcare continues to insure 83% of those over the age of 70 who are insured with an open membership insurer.

#### **Product Developments**

The system of age related tax credits has provided significant support to the operation of community rating. However, notwithstanding the impact of the age related tax credits that applied in 2011, the net claims costs for older consumers (on average) continued to be considerably higher than the net claims costs for younger consumers. As a result, younger consumers were on average profitable, while older consumers were on average unprofitable. In particular, those over the age of 70 were on average extremely unprofitable. Insurers were thereby incentivised to use various marketing and other strategies to target profitable segments of the market.



Product developments and special offers in the period reflected these incentives. Newer products offering better value than existing comparable products were marketed to new customers. Product developments have tended to concentrate on providing cover attractive to younger healthier customers but less attractive to older less healthy customers. While open enrolment means that anyone can buy any product, the marketing and product strategies adopted are resulting in extensive product segmentation in the market. This is evidenced in the behaviour of insurers, all of which have introduced a range of corporate plans at more competitive prices aimed at particular segments of the market.

The main product developments in 2011 included the following:

- Large price increases (up to 45% in some cases), particularly for products with large numbers of older people.
- Large number of customers have switched to cheaper but near identical plans or changed renewal dates to avoid price increases.
- Overall, the average premium paid increased by 6%.
- Reduced orthopaedic and ophthalmic benefits in private hospitals in return for reduced premiums.
- Increased penetration of corporate plans that are not marketed or offered to individual customers.
- Special offers that give discounted or free cover to children.

Product developments continue to proliferate. On 31 December 2011 there were almost 200 inpatient private health insurance plans in the market.

As a result of these strategies, health insurance is currently being provided to different market segments at significantly different prices to an extent that, in the Authority's view, is increasingly tending to undermine community rating and, therefore, the achievement of the Principal Objective. It is in this context that the level of age related tax credits was significantly increased at the end 2011. Further strengthening of the risk equalisation system is required and a robust risk equalisation system is to be introduced from 2013.

In light of these market developments, it is not surprising that the Authority's consumer information function continues to increase in popularity with consumers, with over 400,000 consumer contacts with the Authority's consumer information function in 2011. These contacts take place through the Authority's website, consumer information booklets and through direct contact with the Authority's staff. The information provided enables consumers to compare benefits and prices across the full range of health insurance plans provided by all insurers. The Authority also provides information through the media and with the renewal statements issued by insurers.

### 3.2.2 Commissioned Research on the Health Insurance Market

The Authority commissioned research on the health insurance market from Millward Brown Lansdowne Market Research. The research consists of two surveys; one of consumers and another of employers. This research is the fifth in a series of research reports; the first of which was done in 2003. The series of research reports provides valuable information on the health insurance market, including trends over time in the market.

The research work included a national face-to-face survey of 1,000 adults and a survey of 300 businesses.

The principal findings of the research include the following:

- Private health insurance continues to be highly valued by consumers, 59% either strongly or slightly agree with the statement that private health insurance is a necessity not a luxury.
- The proportion of consumers who say that they will maintain or upgrade their cover in the next 12 months has increased from 73% to 85% since the 2010 Report. The proportion who “Don’t know” has decreased from 22% to 9%.
- The overwhelming reason for no longer being covered by private health insurance is ‘expense/premiums too high/can’t afford it’ – this now stands at 50% of respondents who have cancelled cover.
- Attitudes to premium increases have changed sharply – the percentage who believe they are inappropriate has increased from 36% to 49%, illustrating the impact recent increases are now having compared to previous years.
- 23% of private health insurance holders have switched insurer at least once (15% in 2009 and 10% in 2007), while a further 20% of those who have never switched provider have considered doing so – up from 13% in the 2010 Report. The dominant reason for switching is cost saving.
- Of the employers surveyed who operated a group private health insurance scheme, a large majority planned to keep the same type of policy cover and the same level of subsidy to employees. Some planned to increase the level of subsidy to employees, while only one planned to decrease the subsidy.

### 3.2.3 Universal Health Insurance

The Programme for Government provides for the introduction of a system of Universal Health Insurance (UHI) by 2016, with the legislative and organisational groundwork for the system complete and universal primary care introduced within this Government’s term of office. The Minister has said that a White Paper on Financing Universal Health Insurance will be published towards the end of 2012. The introduction of UHI will involve major changes in the regulation of the Irish health insurance market and the Authority’s policy advice to the Minister reflects both the requirements of the current voluntary health insurance system and the need to establish an appropriate regulatory framework for UHI.

The Authority began researching UHI in 2011, including some aspects of the transition from the current health insurance system to the new UHI system. The Authority is researching UHI both for its own requirements and also to be in a position to advise the Minister and his officials on various aspects of the introduction of UHI. As part of this work the Authority has met with Dutch officials and regulators in order to discuss the operation of universal health insurance in the Netherlands.

### 3.2.4 Review of Health Insurance Legislation

Following a meeting between the Chairman of the Authority and the Minister for Health, the Department of Health wrote to the Authority in June 2011 requesting that the Authority “Examine the legislation which governs the functions of the HIA, advise the Minister of any weaknesses which, in the view of the Authority, hinders or prevents it from doing what it would consider necessary to regulate the health insurance market effectively and make relevant proposals to the Minister.”

In July, the Authority responded referring to previous advice on Risk Equalisation, Minimum Benefit and Open Enrolment and proposing to carry out a “review of the health insurance legislation in order to assess what additional measures may be desirable to support community rating and to assist the Authority in the performance of its functions in this regard and otherwise. This review will include consideration of current market issues, including the multiplicity of health insurance plans, short term amendments to health insurance plans, restrictions on benefits used more by older people and restrictions on switching.”

As well as examining the Health Insurance Acts and considering current market issues, the Authority reviewed the powers of other regulators and considered whether comparable powers might be appropriate to the work of the Authority. The Authority also met with representatives of Aviva Health, Quinn Healthcare and Vhi Healthcare in order to discuss various proposals for strengthening the regulation of the market.

The Authority provided its Report to the Minister in October 2011.

### 3.2.5 Central Statistics Office (C.S.O.)

The Authority maintains regular contact with the C.S.O. concerning the health insurance market. In addition to the confidential provision of some data, the Authority has provided advice on the structure of the market.

## 3.3 Consumer Interests

One of the functions of the Authority as provided for in the Health Insurance Acts is “to take such action as it considers appropriate to increase the awareness of members of the public of their rights as consumers of health insurance and of health insurance services available to them”. Within this remit, the Authority aims to increase consumer awareness of their rights and assist them in understanding health insurance products. The Authority also monitors the provision of information to consumers by insurers as well as monitoring compliance with the Health Insurance Acts.

### 3.3.1 Consumer Queries and Complaints

The Authority assists consumers by answering queries regarding health insurance and by assisting them in resolving disputes with insurers. In 2011 the volume of queries and complaints received by the Authority more than doubled to over 5,370 contacts. The increase in the level of queries was significantly higher in January with over 1,800 calls being logged that month. Topics that were most frequently raised with the Authority were:

- Requests for comparisons between health insurance products;
- Cancellation policies of insurers;
- Rights in relation to switching insurers;
- General queries regarding health insurance products and waiting periods;
- The cost of private health insurance;
- Service standards of insurers; and
- Requests for the Authority’s information publications.

During 2011 the Authority intervened successfully on behalf of consumers in relation to issues arising with respect to their health insurance. Two examples of cases addressed by the Authority are set out below.

#### Case Study 1

*A consumer contacted the Authority to complain that they would like to switch from a restricted undertaking to an open insurer, but that one insurer was treating them as a new entrant and applying full waiting periods.*

*The Authority entered into communication with the insurer concerning their policy towards consumers switching from restricted undertakings. The insurer undertook to change their policy in this regard. The insurer now takes into consideration the time spent with restricted undertakings when a consumer switches to their open insurance policies.*

### Case Study 2

*A consumer contacted the Authority to advise they had received their renewal notice and table of benefits from their insurer, but the table of benefits and accompanying documentation did not point out that there had been a significant reduction in benefits under the inpatient section. The consumer felt this was a serious error which could adversely affect a large number of consumers who may also have received the same documentation. The Authority raised the matter with the insurer, which acknowledged there was a misprint on this particular table of benefits and all affected customers would be contacted and allowed to change plans, if necessary.*

### 3.3.2 Consumer Information

The Health Insurance Act 1994, as amended, provides for the Authority to take such action as it considers appropriate to increase the awareness of members of the public of their rights as consumers of health insurance and of health insurance services available to them. The Authority provides consumer information through a number of different channels, including the following:

- Consumer information statements from the Authority are included in renewal notices issued by insurers;
- The Authority's website includes detailed consumer information, including a product comparison facility covering all products available in the market and regular news articles;
- Advertorials and advertisements are placed in the national and local press;
- Consumer information booklets are distributed through Citizens Information Centres and from the Authority's offices;
- The Authority publishes a regular newsletter; and
- The Authority issues product comparisons and other consumer information by post upon request.

### 3.3.3 Website

The Authority maintains a website, which provides information to consumers in line with the consumer information functions allocated to the Authority in the Health Insurance (Miscellaneous Provisions) Act, 2009. The website includes a product comparison facility, which allows consumers to choose the most appropriate plans for their circumstances and compare benefits and prices of plans side by side. This comparison facility provides consumers with access to details of every plan on the market and is the only resource where this information is available.

The number of visitors to the website averaged over 32,000 visitors per month throughout 2011 and, during January 2011, the website received over 110,000 visitors.

The Authority's website also received a special commendation at the 2011 Irish Design Effectiveness Awards (IDEA) in the website design category in December.

# 4. Corporate Affairs

## 4.1 Strategy

The Authority was established as an independent regulator for the private health insurance market in Ireland. In fulfilment of this role, the Authority developed its work plan to include a vision, mission and values.

### **The Vision of the Authority**

The vision of the Authority is “to benefit the common good by supporting Community Rating, Open Enrolment and Lifetime Cover in a competitive health insurance market”.

### **The Mission of the Authority**

The mission of the Authority is to achieve the vision by:

- Monitoring and researching health insurance generally;
- Advising the Minister on health insurance generally;
- Enforcing compliance with the Health Insurance Acts, where necessary;
- Making recommendations on the implementation or otherwise of risk equalisation and managing and administering any risk equalisation scheme;
- Carrying out its functions in relation to the system of age related tax credits;
- Implementing other relevant regulations as prescribed;
- Providing information to consumers in relation to their rights and options; and
- Safeguarding the interests of current and future health insurance consumers.

### **The Values of the Authority**

The Authority has adopted values to apply in its activities. The values of the Authority are to:

- Maintain its independence;
- Act always with impartiality and integrity;
- Work in a professional and effective way;
- Meet its unique challenges by being receptive to new ideas and suggestions from all sources and innovative in its approach;
- Maintain transparency in all its work; and
- Value its people.

## 4.2 Corporate Governance

### Corporate Governance Code of Practice

The Code of Practice for the Governance of The Health Insurance Authority is based on the updated “Code of Practice for the Governance of State Bodies” issued by the Department of Finance in May 2009.

### Ethics in Public Office

The Authority is included in Statutory Instrument No. 699 of 2004 for the purposes of the Ethics in Public Office Acts, 1995 and 2001. The Members of the Authority and relevant staff have fulfilled their obligations under this legislation.

### Annual Report and Accounts

The Annual Accounts for 2011 were prepared and submitted to the Office of the Comptroller and Auditor General (“the C & A G”) for audit. These Accounts have been audited and approved by that office and are set out in section 5 of this Annual Report and Accounts. The Authority adheres to corporate governance documentation issued by the C & A G in 2003 setting out guidelines and standards for submission of accounts for audit.

### Official Languages

The Authority is compliant with the Official Languages legislation and maintains contact with the Department of Arts, Heritage and Gaeltacht Affairs in this regard.

### Freedom of Information

The Health Insurance Authority came within the scope of the Freedom of Information Act with the passage of the Freedom of Information Act 1997 (Prescribed Bodies) Regulations 2006, effective from 31 May 2006.

In addition to processing requests made under the Freedom of Information Acts as they are received, the Authority published two booklets, “A Guide to the Functions of and Records Held by the Authority” and “A Guide to the Rules, Procedures, and Practices of the Authority”, which together guide applicants through the Freedom of Information process. The guides are compiled in accordance with the Freedom of Information Acts and are published on the Authority’s website.

## 4.3 Relationship with Stakeholders

Throughout 2011 the Authority has endeavoured to maintain appropriate professional relationships with stakeholders in the Irish private health insurance market and has been receptive to suggestions and ideas from all sources. In order to do this, the Authority met regularly with stakeholders to discuss matters that fall within the Authority's areas of responsibility and, insofar as is possible, maintained transparency in its work. These stakeholders include consumers, insurers, professional bodies and other regulators.

### Communications Strategy

The Authority operates a policy of openness, consultation and discussion with relevant interested parties. The Authority welcomes communication with consumers, stakeholders and other interested parties in the provision of a regulatory service and in the performance of its functions.

## 4.4 Resources

### Staff

The Authority's sanction for 9 staff was agreed in 2001. In view of the greatly increased complexity of the health insurance market, the additional functions allocated to the Authority by the Health Insurance (Miscellaneous Provisions) Act 2009 and the further increase in the Authority's functions proposed under the 2013 Risk Equalisation System, the Authority, in 2012, applied for and received sanction to recruit two further members of staff.

### Funding

The operations of the Authority are funded by a levy on registered undertakings in accordance with Section 17 of the Health Insurance Act, 1994.<sup>2</sup> The Levy Regulations introduced by the Minister in 2001 set the rate to be paid at 0.14% of premium income of registered undertakings, which is payable on a quarterly basis. Registered undertakings are also obliged to submit details of the numbers of insured persons and the premium income. These statistics are summarised in *Appendix A*. The Register of Health Benefits Undertakings as at 31 December 2011 is set out in *Appendix D*.

The Levy Regulations introduced by the Minister were amended in 2010 by the Health Insurance Act 1994 (Section 17) Levy (Amendment) Regulations 2010, which reduced the levy payable to the Authority to 0.12% of premium income. The new rate became effective from 1 January 2011.

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<sup>2</sup> The Health Insurance Act, 1994 (Section 17) Levy Regulations, 2001 (S.I. No. 255 of 2001).

# 5. Report and Accounts

Report and Accounts for the year 1 January 2011 to 31 December 2011



## To the Minister for Health

In accordance with the terms of Section 32(2) of the Health Insurance Act, 1994, The Health Insurance Authority presents its Report and Accounts for the twelve-month period ended 31 December 2011.

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## Authority Information

### Members of the Authority

Jim Joyce (Chairman), since 2006  
Dónall Curtin, since 2006  
Mary Doyle, term ended January 2011  
Sheelagh Malin, since May 2010  
Paul Turpin, since October 2007

### Chief Executive/Registrar

Liam Sloyan

### Secretary

Eamonn Horgan

### Bankers

AIB plc.  
40/41 Westmoreland Street  
Dublin 2

Irish Life & Permanent plc.  
56/59 St Stephen's Green  
Dublin 2

### Auditors

Comptroller and Auditor General  
Dublin Castle  
Dublin 2

### Offices

Canal House  
Canal Road  
Dublin 6

## Report of the Comptroller and Auditor General

I have audited the financial statements of the Health Insurance Authority for the year ended 31 December 2011 under the Health Insurance Act 1994. The financial statements, which have been prepared under the accounting policies set out therein, comprise the Statement of Accounting Policies, the Income and Expenditure Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and Generally Accepted Accounting Practice in Ireland.

### Responsibilities of the Authority

The Authority is responsible for the preparation of the financial statements, for ensuring that they give a true and fair view of the state of the Authority's affairs and of its income and expenditure, and for ensuring the regularity of transactions.

### Responsibilities of the Comptroller and Auditor General

My responsibility is to audit the financial statements and report on them in accordance with applicable law.

My audit is conducted by reference to the special considerations which attach to State Bodies in relation to their management and operation.

My audit is carried out in accordance with the International Standards on Auditing (UK and Ireland) and in compliance with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements, sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of

- whether the accounting policies are appropriate to the Authority's circumstances, and have been consistently applied and adequately disclosed
- the reasonableness of significant accounting estimates made in the preparation of the financial statements, and
- the overall presentation of the financial statements.

I also seek to obtain evidence about the regularity of financial transactions in the course of audit.

In addition, I read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

## Opinion on the Financial Statements

In my opinion, the financial statements, which have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland, give a true and fair view of the state of the Authority's affairs at 31 December 2011 and of its income and expenditure for the year then ended.

In my opinion, proper books of account have been kept by the Authority. The financial statements are in agreement with the books of account.

## Matters on which I Report by Exception

I report by exception if

- I have not received all the information and explanations I required for my audit, or
- my audit noted any material instance where moneys have not been applied for the purposes intended or where the transactions did not conform to the authorities governing them, or
- the information given in the Authority's Annual Report for the year for which the financial statements are prepared is not consistent with the financial statements, or
- the Statement on Internal Financial Control does not reflect the Authority's compliance with the Code of Practice for the Governance of State Bodies, or
- I find there are other material matters relating to the manner in which public business has been conducted.

I have nothing to report in regard to those matters upon which reporting is by exception.



**Andrew Harkness**  
*For and on behalf of*  
*Comptroller and Auditor General*

21 June 2012

## Statement on Internal Financial Control

The Chairman and Members of the Authority acknowledge that the board of the Authority is responsible for The Health Insurance Authority's system of internal financial control.

The Chairman and Members also acknowledge that such a system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded and any material errors or irregularities are either prevented or would be detected in a timely manner.

The Members of the Authority have set out the following key procedures designed to provide effective internal financial control within the Authority:

As provided for in Section 26(5) of the Health Insurance Act, 1994, the Chief Executive/Registrar ("the CE") is responsible for carrying on and managing and controlling generally the administration and business of the Authority and shall perform such other functions as may be determined by the Authority. The Members of the Authority have agreed that the CE and staff are responsible for operational matters. The CE reports to the Members at their meetings which are usually held on a monthly basis.

A formal process for the identification, evaluation, mitigation and management of business risk has been undertaken and includes:

- The identification and nature of risks;
- The likelihood of occurrence;
- The financial or other implications;
- Mitigating factors;
- Measures to manage the identified risks; and
- Monitoring and reporting on the process.

The Members have adopted a Code of Practice for the Governance of The Health Insurance Authority based on the Department of Finance Code of Practice for Governance of State Bodies as updated in 2009. The Members have adopted rules in relation to the procedure and business of the meetings of The Health Insurance Authority for their meetings.

The Authority implements a set of financial procedures setting out the financial instructions, notes of procedures and delegation practices. The Audit Committee reviews the management accounts, annual financial statements, budgeting and financial procedures generally.

The Committee met to review the financial matters relating to the year 2011. Consultants have been engaged in key areas where such services were deemed appropriate including accountants and internal audit consultants.

The Authority has in place a computer software system incorporating an accounting package and a payroll package to facilitate the internal financial controls of the Authority.

Due to the size of the organisation and the number of staff employed, the Authority engaged an external accounting firm to prepare and monitor the financial statements for the Authority and to perform a monthly financial reporting mechanism on the management of the accounts generally, including budgets.

We confirm that a review of the effectiveness of the system of internal financial controls was carried out in respect of 2011.

Signed on behalf of the Members of the Authority

A handwritten signature in black ink, appearing to read 'Jim Joyce', is positioned above the printed name and title.

**Jim Joyce**  
*Chairman*  
*The Health Insurance Authority*

18 June 2012

## Statement of Responsibilities of the Authority

Section 32(2) of the Health Insurance Act, 1994, requires the Members of the Authority to prepare financial statements in such form as may be approved by the Minister for Health after consultation with the Minister for Finance. In preparing those financial statements, the Authority is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Authority will continue in operation.

The Authority is responsible for keeping proper books of account, which disclose in a true and fair manner at any time the financial position of the Authority and which enable it to ensure that the financial statements comply with Section 32(2) of the Act. The Authority is also responsible for safeguarding the assets of the Authority and for taking reasonable steps for the prevention and detection of fraud and other irregularities.



**J. Joyce**  
*Chairman*

18 June 2012



**P. Turpin**  
*Member*

## Statement of Accounting Policies

The significant accounting policies adopted in these financial statements are as follows:

### Basis of Accounting

The financial statements are prepared in accordance with generally accepted accounting principles and under the historical cost convention and comply with the financial reporting standards of the Accounting Standards Board.

### Levy Income

The levy income represents the amount receivable by the Authority in respect of the period. This takes account of payments made to the Authority in accordance with the Health Insurance Acts, 1994-2009 and the reasonableness of this figure is checked against the expected levy income based on the Authority's profile of private health insurance schemes.

### Expenditure Recognition

Expenditure is recognised in the financial statements on an accruals basis as it is incurred.

### Tangible Fixed Assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation, charged to the Income and Expenditure Account, is calculated in order to write off the cost of fixed assets over their estimated useful lives, under the straight-line method, at the annual rate of  $33\frac{1}{3}\%$  for computer equipment and 20% for all other assets from date of acquisition.

### Foreign Currencies

Transactions denominated in foreign currencies are converted into euro during the year and are included in the Income and Expenditure Account for the period.

Monetary assets and liabilities denominated in foreign currencies are converted into euro at exchange rates ruling at the balance sheet date and resulting gains and losses are included in the Income and Expenditure Account for the period.

## Superannuation

In accordance with Section 28 of the Health Insurance Act, 1994, the Authority may, with the consent of the Minister for Health and the Minister for Finance, make a scheme for the granting of superannuation benefits to staff members of the Authority. The Authority has drafted a scheme for its employees based on the Public Service Model and approval by the Minister for Health and Minister for Finance is awaited. The Authority is making the necessary deductions from salaries which are retained by the Authority, but are not recognised as income. The Authority is also providing for employer contributions to the Scheme. For the purposes of Financial Reporting Standard 17, the Authority considers the scheme to be equivalent to a defined contribution scheme, from its point of view, and it has accounted for it accordingly.

## General Reserve

As the Authority's role as the regulator and advisor for the Irish Health Insurance Market develops, the potential for additional costs arising from exceptional circumstances increases. It is anticipated that any liability materialising in this instance will be met by the General Reserve.

## Income and Expenditure Account

for the year ended 31 December, 2011

	<i>Notes</i>	12 months ended 31 December, 2011 €	12 months ended 31 December, 2010 €
Income	1	2,451,115	2,698,861
Administration Costs	2	(1,245,753)	(1,216,190)
<b>Excess of income over expenditure</b>		<b>1,205,362</b>	<b>1,482,671</b>
Interest Receivable		133,173	69,693
<b>Surplus for the period</b>		<b>1,338,535</b>	<b>1,552,364</b>
Accumulated Surplus at beginning of period		4,298,288	2,795,924
Transfer to General Reserve	9	(50,000)	(50,000)
<b>Accumulated Surplus at end of period</b>		<b>5,586,823</b>	<b>4,298,288</b>

There are no recognised gains or losses, other than those dealt with in the Income and Expenditure Account.



**J. Joyce**  
*Chairman*

18 June 2012



**P. Turpin**  
*Member*

The Statement of Accounting Policies and notes 1 to 12 form part of these Financial Statements.

## Balance Sheet

at 31 December 2011

	Notes	2011 €	2010 €
<b>Fixed assets</b>			
Tangible assets	5	19,845	36,435
<b>Current assets</b>			
Bank and Cash		7,337,874	5,884,193
Prepayments and other debtors	6	791,857	826,895
		8,129,731	6,711,088
<b>Creditors (amounts falling due within one year)</b>			
Creditors and accruals	7	(1,154,858)	(1,091,340)
<b>Net current assets</b>		6,974,873	5,619,748
<b>Total assets less current liabilities</b>		6,994,718	5,656,183
<b>Net assets</b>		<b>6,994,718</b>	<b>5,656,183</b>
<b>Representing</b>			
Accumulated excess income over expenditure	9	5,586,823	4,298,288
General Reserve		1,407,895	1,357,895
		<b>6,994,718</b>	<b>5,656,183</b>



**J. Joyce**  
Chairman

18 June 2012



**P. Turpin**  
Member

The Statement of Accounting Policies and notes 1 to 12 form part of these Financial Statements.

## Notes

(forming part of the financial statements)

### 1. Income

Section 17 of the Health Insurance Act, 1994 provides for the payment of an income levy by registered undertakings to the Authority every quarter in order to fund the operations of the Authority and make adequate provision for contingencies. The Health Insurance Act, 1994 (Section 17) Levy Regulations, 2001 set the rate for the income levy at 0.14% of the assessable amount paid to all commercial and restricted undertakings in Ireland. The rate has subsequently been reduced to 0.12% by the Health Insurance Act 1994 (Section 17) Levy (Amendment) Regulations 2010.

	2011 €	2010 €
Income Levy	2,451,100	2,698,861
Freedom of information	15	–
	<b>2,451,115</b>	<b>2,698,861</b>

### 2. Administration Costs

	2011 €	2010 €
Salaries and staff costs (Note 3)	646,948	644,685
Training costs	17,811	16,854
Directors Fees (Note 3)	26,602	30,940
Rent, Service Charges and Maintenance	155,353	154,506
Consultancy (Note 4)	196,290	24,443
Insurance	32,410	38,866
Computer and Stationery Costs	25,056	23,574
Other Administration Costs	30,627	26,373
Consumer Information	82,307	224,563
Audit	12,220	12,220
Depreciation	20,129	19,166
	<b>1,245,753</b>	<b>1,216,190</b>

The Health Insurance Authority rents offices at Canal House, Canal Road, Dublin 6 at a cost of €129,389 per annum. This rental agreement expires on 12 May 2012. The Authority entered into a new lease in May 2012 for the offices at Canal House at a cost of €50,000 per annum.

### 3. Directors Fees and CEO Remuneration

Fees payable to individual board members for 2011 were Jim Joyce (Chairman), €8,978 (2010: €9,017) Dónall Curtin €5,985 (2010: €6,003), Mary Doyle term ended in January 2011 €499 (2010: €6,003), Sheelagh Malin €5,985 (2010: €3,913), Paul Turpin €5,155 (2010: €6,003). No expenses were paid to board members.

The Chief Executive's annual salary for 2011 was €103,967 (2010: €103,552). The CEO received travel and subsistence expenses of €647 (2010: €230) and €0 (2010: €13) in respect of other expenses. The CEO's pension entitlements are in line with standard entitlements in the model public sector defined benefit superannuation scheme. The CEO did not receive any perquisites or benefits in 2011.

### 4. Consultancy Costs

	2011 €	2010 €
Accountancy	46,495	34,515
Actuarial Services	72,280	134,428
Legal Services	6,215	15,597
Refund of legal costs	(24,669)	(350,000)
Public Relations	43,577	44,733
Research	28,676	32,709
Superannuation	858	832
Translation Services	799	1,127
Management and development	–	1,602
Economic consultancy	22,059	108,900
	<b>196,290</b>	<b>24,443</b>

In December 2011 The Health Insurance Authority received a refund of €24,669 in respect of legal costs incurred in previous years regarding High Court judicial review proceedings (2010: €350,000). The refund arose from an insurance policy held by the Authority.

## 5. Tangible Fixed Assets

	Computer Equipment €	Office Fitting, Furniture & Equipment €	Website Development €	Total €
<b>Cost</b>				
At 31 December 2010	89,034	333,500	36,374	458,908
Additions during period	635	–	2,904	3,539
Disposals during period	0	0	0	0
At 31 December 2011	89,669	333,500	39,278	462,447
<b>Depreciation</b>				
At 31 December 2010	79,283	331,776	11,414	422,473
Charge for period	7,032	597	12,500	20,129
Depreciation on disposals	0	0	0	0
At 31 December 2011	86,315	332,373	23,914	442,602
<b>Net Book Value</b>				
At 31 December 2011	3,354	1,127	15,364	19,845
At 31 December 2010	9,751	1,724	24,960	36,435

## 6. Prepayments and other debtors

	2011 €	2010 €
Accrued income	646,594	684,517
Prepayments and Other Debtors	144,570	141,868
Travel Cards	448	510
Cycle to Work Scheme	245	–
	<b>791,857</b>	<b>826,895</b>

## 7. Creditors (amounts falling due within one year)

	2011 €	2010 €
Trade creditors and accruals	97,854	177,199
Pensions provision (Note 8)	1,015,480	868,848
Pension levy	2,715	2,542
PAYE/PRSI	15,181	13,108
Professional Services Withholding Tax	9,253	11,786
Value Added Taxation	14,375	17,857
	<b>1,154,858</b>	<b>1,091,340</b>

## 8. Pensions Provision

The Authority has drafted a defined benefit pension scheme for its employees. The scheme structure is based on the Public Service Model and approval by the Minister for Health and the Minister for Finance is awaited. Contributions including employer contributions are at a rate of 25% from July 2006 (16.66% previously) of pensionable pay and are charged to the Income and Expenditure Account. The accumulated contributions are held for the account of the Minister for Health, and the Minister has agreed to reimburse the Authority in respect of benefits arising under the scheme. The following contributions are included in the heading “Salaries and Staff Costs (including training)” (Note 2):

	2011 €	2010 €
At beginning of period	868,848	723,507
Employee Contributions	25,679	25,332
Employer Contributions	120,953	120,009
<b>Total</b>	<b>1,015,480</b>	<b>868,848</b>

In addition €33,291 was deducted from staff by way of pension levy and was paid over to the Department of Health.

## 9. Accumulated Surplus on Income and Expenditure Account

	2011 €	2010 €
At beginning of period	4,298,288	2,795,924
Surplus for period	1,338,535	1,552,364
	5,636,823	4,348,288
Transfer to General Reserve	(50,000)	(50,000)
Retained surplus	5,586,823	4,298,288

## 10. Capital Commitments

There were no commitments for capital expenditure at 31 December 2011.

## 11. Disclosure of Interests

The Authority has adopted procedures in accordance with the guidelines issued by the Department of Finance in relation to the disclosure of interests by Authority members and the Authority has adhered to these procedures. There were no transactions in the year in relation to the Authority's activities in which board members had an interest.

## 12. Approval of Financial Statements

The Financial Statements were approved by the Members of the Authority on 18 June 2012.

# 6. Appendices



## Appendix A

### Statistics Relating to the Private Health Insurance Market in Ireland, 2011

**Table 1: Insured Persons<sup>(3)(4)</sup>**

Year Ended	Total Insured Persons (ooos)	Private Health Insurance Coverage as % of Population
December 2001	1,871	48.2%
December 2002	1,941	49.2%
December 2003	1,999	49.8%
December 2004	2,054	50.4%
December 2005	2,115	50.6%
December 2006	2,174	50.9%
December 2007	2,245	51.2%
December 2008	2,297	51.7%
December 2009	2,260	50.6%
December 2010	2,228	49.8%
December 2011	2,163	47.1%

(3) All figures relate to the total private health insurance market, i.e. open enrolment and restricted undertakings.

(4) Population figures are based on Central Statistics Office population estimates.

**Table 2: Premium Income**

Year	Total Income (€m)
2002	821.9
2003	978.2
2004	1,061.1
2005	1,152.7
2006	1,299.5
2007	1,477.8
2008	1,652.2
2009	1,846.7
2010	1,949.1
2011	2,043.2*

**Market Shares**

The Following table shows how market shares have changed since the establishment of the Authority.

December	Aviva Health* %	Quinn Healthcare** %	Vhi Healthcare %	Restricted Membership Undertakings*** %
2001	–	12.6%	82.2%	5.2%
2002	–	14.6%	80.5%	4.9%
2003	–	17.4%	77.8%	4.8%
2004	–	19.5%	75.8%	4.7%
2005	1.0%	21.0%	73.9%	4.1%
2006	2.9%	21.4%	71.7%	4.0%
2007	5.4%	21.2%	69.5%	3.9%
2008	7.7%	21.6%	66.8%	3.9%
2009	10.4%	22.8%	62.9%	3.9%
2010	13.7%	20.8%	61.6%	3.9%
2011	17.7%	20.9%	57.3%	4.0%

\* In respect of 2007 and earlier years the data relates to VIVAS Health.

\*\* In respect of 2006 and earlier years the data relates to BUPA Ireland.

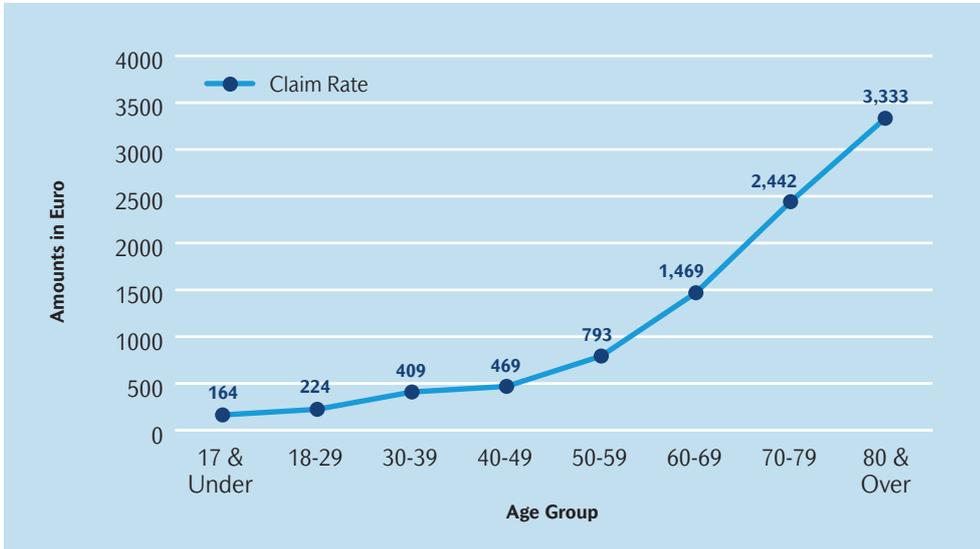
\*\*\* These mainly consist of the Garda, ESB and Prison Officer Schemes.

\* Includes H.S.F.

## Appendix B

### Claim Variation by Age

#### Claims included in Returns per Insured Person in 2011



The source of the data in the above chart is information returns submitted to the Authority by insurers. These returns exclude c. 20% of claims.

## Appendix C

### Age Structure of Market

The following table shows how the age structure of the market has changed since the end of 2009. The tables in this section are based on information returns received from open membership insurers. The data in these returns differs from data included in earlier tables in that it excludes people who are serving initial waiting periods, people who are insured with restricted membership undertakings and people who are insured with products that are not subject to the health insurance stamp duty and the age related tax credits.

Age Group	2009	2010	2011
0-17	518	505	495
18-29	310	284	256
30-39	365	351	331
40-49	321	315	308
50-59	272	272	269
60-69	197	204	208
70-79	101	106	110
80+	39	42	44

The following table shows how market shares varied with age at the end of 2011. The table below refers to open membership insurers only and excludes the restricted membership undertakings.

Age Group	Aviva Health %	Quinn Healthcare %	Vhi Healthcare %
0-49	20%	24%	56%
50-59	19%	20%	60%
60-69	15%	18%	67%
70-79	9%	11%	80%
80+	5%	5%	90%

## Appendix D

### The Register of Health Benefits Undertakings as at 31 December 2011

#### Open Membership Undertakings

1. Aviva Health Insurance Limited (trading as Aviva Health);
2. H.S.F. Health Plan Limited (trading as Hospital Saturday Fund);
3. Quinn Insurance Limited Under Administration (trading as Quinn Healthcare); and
4. The Voluntary Health Insurance Board (trading as Vhi Healthcare).

#### Restricted Membership Undertakings

1. E.S.B. Staff Medical Provident Fund;
2. Irish Life Assurance Plc Outdoor Staff Benevolent Fund;
3. Irish Life Medical Aid Society;
4. New Ireland/Irish National Staff Benevolent Fund;
5. Prison Officers' Medical Aid Society;
6. St. Paul's Garda Medical Aid Society; and
7. The Goulding Voluntary Medical Scheme.

## Appendix E

### Attendance of Authority Meetings for 2011

Authority Member	Meetings Attended*
Mr. Jim Joyce, Chairman	11
Mr. Donall Curtin	9
Ms. Mary Doyle**	2
Ms. Sheelagh Malin	11
Mr. Paul Turpin	11

\* There were eleven Authority meetings held in 2011.

\*\* Ms. Doyle did not seek reappointment to the Authority on the 31 January 2011 after completing her term.