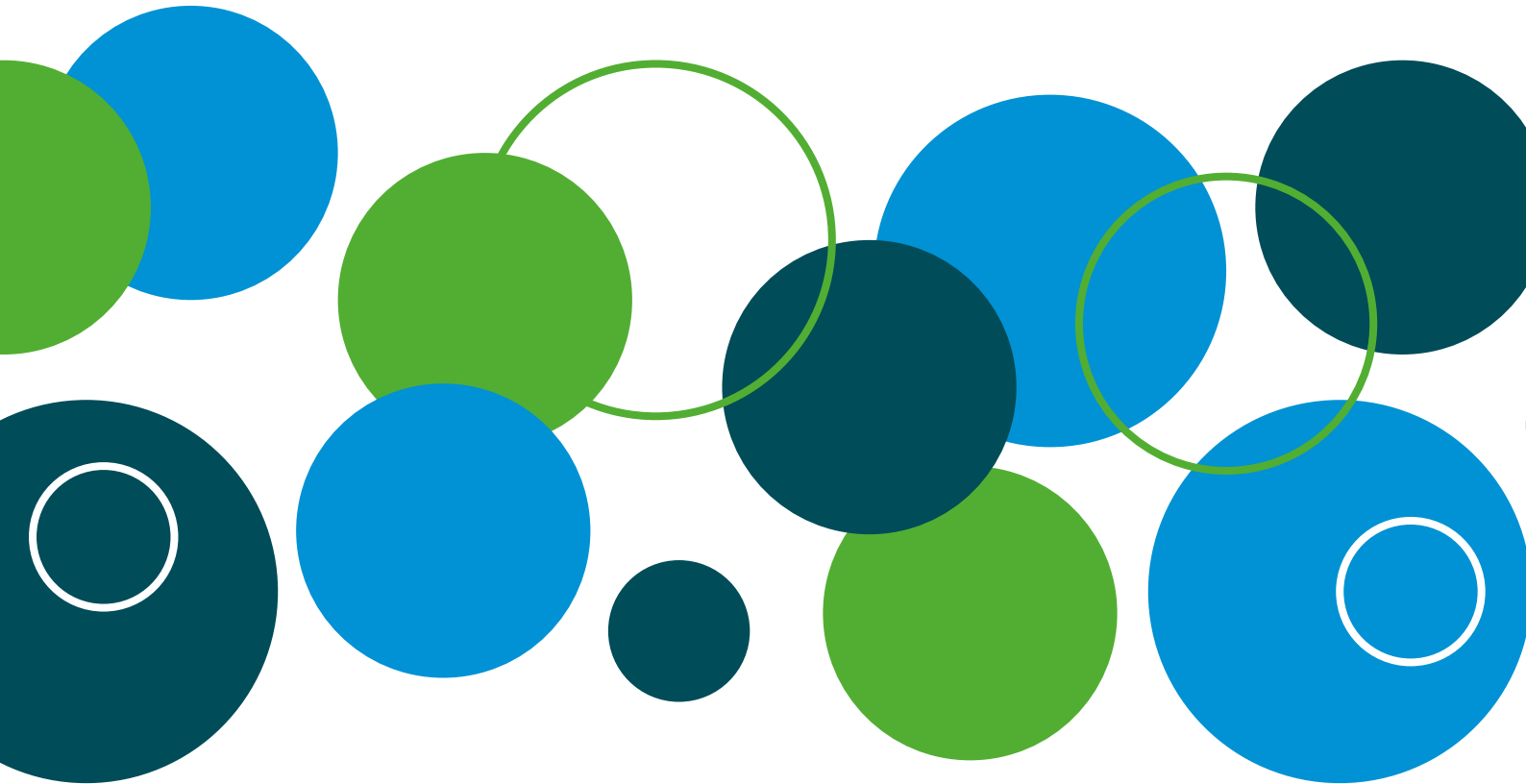


Introduction to the Irish Private Medical Insurance (PMI) Market



IHI Group
Empowering Evolution

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The health insurance market in Ireland is regulated in a very different fashion than the rest of the Irish Insurance Market. While all other insurance markets are 'Risk Rated', the Health Insurance Market is **Community Rated** and as such has a rigid pricing structure and limitations on discounts. In fact so great has been the level of government interference over the years that this market, since deregulation in 1994 has only ever managed to attract one foreign insurer (BUPA) who left in 2006 for the same reasons.

**The market is now made up of 3 insurers, most of which have a common origin.
Below is a brief summary of each:**



Vhi Healthcare is the largest health insurer in the State and is a State owned enterprise whose members are appointed by the Minister for Health. The Vhi was set up in February 1957 under the Voluntary Health Insurance Act with the purpose of offering Health Insurance Schemes to those who could not, at that time, avail of Public Hospital Services. Vhi operated as a monopoly in the Health Insurance Market from February 1957 until BUPA entered the Irish market in December 1996, almost 40 years later.

Since then Vhi's market share has been reduced to 55% and within that percentage is the highest number of the oldest consumers in the market. This remains a challenge for Vhi as they have the largest claims payments of any of the insurers. Vhi only became regulated by the Central Bank of Ireland in July 2015 as this was the first time since deregulation that they could meet the solvency requirements laid down by the Central Bank. This was achieved through a partnership with Berkshire Hathaway through a combination of reinsurance and subordinated debt.



Laya Healthcare is the 2nd largest Health Insurer in the State with a market share of 24% and is a direct descendant of BUPA in Ireland. BUPA Ireland entered the private medical insurance market in Ireland in 1996 ending the Vhi Healthcare monopoly which had existed for almost 40 years following the opening of the health insurance market to competition in 1994. In December 2006, BUPA Ireland announced that it would be leaving the Irish market as the High Court had left the Risk Equalisation scheme unchallenged. BUPA Ireland argued it could not afford to make a cash transfer to Vhi Healthcare as required under the Risk Equalisation Scheme. In February 2007 the QUINN group acquired BUPA Ireland and renamed it QUINN-healthcare.

In late 2009, the future of the entity came into question, as its holder, the QUINN group, fell into administration, and was looking to sell off its insurance assets in the UK and Ireland. A plan was considered by the Irish Government to buy QUINN-healthcare and merge it with Vhi Healthcare, but was not acted on.

Management buy-out and re-branding

On 23 December 2011 Dónal Clancy, Managing Director of QUINN-healthcare announced that a senior management bid enabled by Swiss Re as the re-insurer was successfully concluded with the administrators. The company was re-branded in May 2012 as Laya Healthcare. Laya means "Looking After You Always". On the first of April 2015 AIG acquired Laya Healthcare as a means of ensuring financial stability and to add weight to the brand.



Irish Life Health is the newest entrant to the health insurance market having launched in August 2016. Irish Life Health came about through the purchase of Aviva Health together with the remaining shareholding of GloHealth (the Irish Life Group already owned 49% of GloHealth). In spring 2016 Irish Life purchased Aviva Health who had operated in the Irish market since 2004 when it originally traded as VIVAS and later as Aviva. Aviva Health was at the time of its sale, the 3rd largest insurer in the market with 16% of the market share. GloHealth who was, up until then, the newest and smallest health insurer (Founded in 2012) had made great progress in its short life in attracting some of Ireland's (and the world's) most well known brands, such as Facebook, Dell, Boston Scientific, Airbnb and Apple. At the time of purchase GloHealth had 5% of the insured market. Aviva Health and GloHealth now trade as Irish Life Health. Combined, Irish Life Health has a market share of 21%. Interestingly however, they also have the youngest insured population by a long shot and as such do not have the same claims pressures as the other insurers.

Recent Market Statistics

2,157,000 hold PMI

There are currently 2,157,000 people who hold inpatient Private Medical Insurance in Ireland.*

45.9% ▼ from 50.9%

This represents 45.9% of the population down from a peak of 50.9% or 2,300,000 at the end of 2008.

24,000 new entrants

24,000 new entrants have joined the PMI market in the past 12 months.

€2.46 Billion premiums paid

Total health premiums paid across 4 health insurers (now 3) in 2015 was €2.46 Billion.

€2.64 Billion paid to General Insurance

Total Premiums paid across all other classes of General Insurance with 19 insurers in 2014 was €2.64 Billion.

History of the PMI Market

1957	Vhi established
1994	Deregulation of Irish Health Insurance Market
1996	BUPA Ireland established
2004	VIVAS Health entered the market
2006	Risk Equalisation commenced and BUPA pull out
2007	Quinn Group completed takeover of BUPA Ireland – Quinn Healthcare established.
2008	Hibernian Group buys VIVAS and re launches as Hibernian Health & Risk Equalisation disbanded by the Supreme Court
2009	Hibernian Health Rebrand to Aviva Health and New Gov Levy & TRS system introduced
2010	Aviva Health / levies increased / Quinn in administration Quinn – Management buyout and rebrand to LAYA Healthcare
2011	Levy increases / Vhi reduce orthopaedic benefits / Aviva reduce number of plans
2012	GloHealth enter the market – Major Focus on Tailoring Cover
2013	New Risk Equalisation Scheme comes into effect in January
2015	Government Introduce Lifetime Community Rating (LCR) late entry penalties
2015	AIG Acquire Laya Healthcare & Vhi becomes regulated by the Central Bank of Ireland
2016	Irish Life buy Aviva Health and remaining shareholding of Glohealth to create Irish Life Health

Regulation of the Irish PMI Market

The Irish Health Insurance market is a Community Rated market rather than a Risk Rated market.

Community Rating

Community Rating is a system, where a person's age, gender or health status does not determine the level of premium they pay. Instead, each plan has a specific price, rather than the customer. Therefore the level of cover chosen will decide the premium. So whether 26 or 96, the customer will pay the same premium for the same product with some exceptions:

- From 1 May 2015, if you first buy health insurance at age 35 or over, an age at entry loading may apply to your premium.
- Children, where the premium must be no more than 50% of the adult rate.
- The premium for those aged 18-25 may be reduced.
- Members of group schemes, where the premium may be reduced by up to 10%.
- Pensioners who are members of restricted membership insurers may have their premiums reduced

Risk Equalisation

In a Community Rated Market, where insurers cannot price on risk, there is a danger that the high claims associated with older people could make the market financially unsustainable. 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.

Government Levy / Stamp Duty

Whatever your premium, this portion of it is collected to pay for Community Rating and is redistributed by way of Tax Credits for older members.

- Non Advanced Plans refer to plans that cover Public Hospitals Only
- Advanced Plan refer to plans that cover Private Hospitals

COMMUNITY RATING STAMP DUTY	NON-ADVANCED COVER	ADVANCED COVER
UNDER 18	€67	€148
OVER 18	€202	€444

Health (Tax) Credits for policies renewing from 1 March 2017 onwards.

AGE RANGE	NON-ADVANCED COVER		ADVANCED COVER	
	MALE	FEMALE	MALE	FEMALE
60-64	€0	€0	€0	€0
65-69	€575	€375	€1,125	€800
70-74	€900	€675	€1,800	€1,300
75-79	€1,175	€850	€2,550	€1,900
80-84	€1,550	€1,100	€3,375	€2,375
85+	€1,775	€1,250	€4,150	€2,775

This is the amount redistributed out to health insurers on foot of receiving new customers in the above categories.

Hospital Utilisation Payment

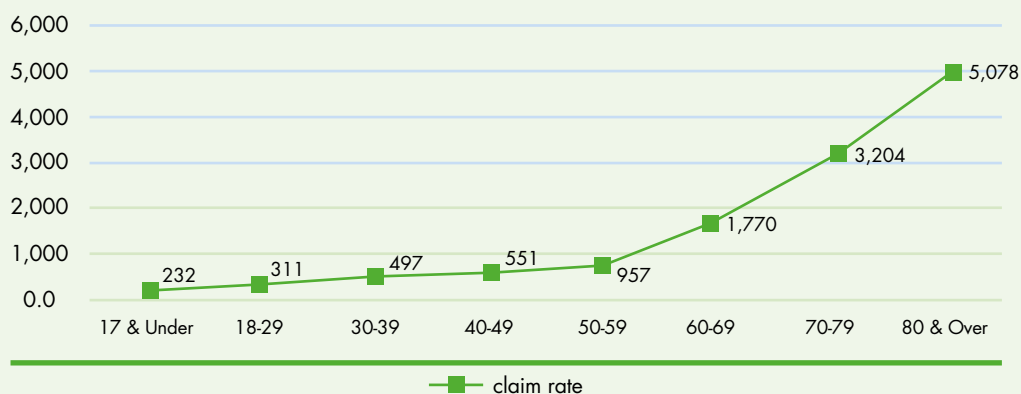
A hospital bed utilisation payment is paid in respect of each night spent in private hospital accommodation by an insured person, along with day case shown below:



The Necessity for Risk Equalisation in a Community Rated Market

In a community rated market without a robust risk equalisation system, older and unhealthy consumers tend to be extremely unprofitable on average.

Claims included in Returns per Insured Person in 2015



There are four regulators of the health insurance market

- **The Health Insurance Authority (HIA)**
 - **The Central Bank of Ireland (CBI)**
 - **The Data Protection Commissioner**
 - **The Financial Services Ombudsman**



Banc Ceannais na hÉireann
Central Bank of Ireland



Financial Services
Ombudsman

The Health Insurance Authority (HIA)

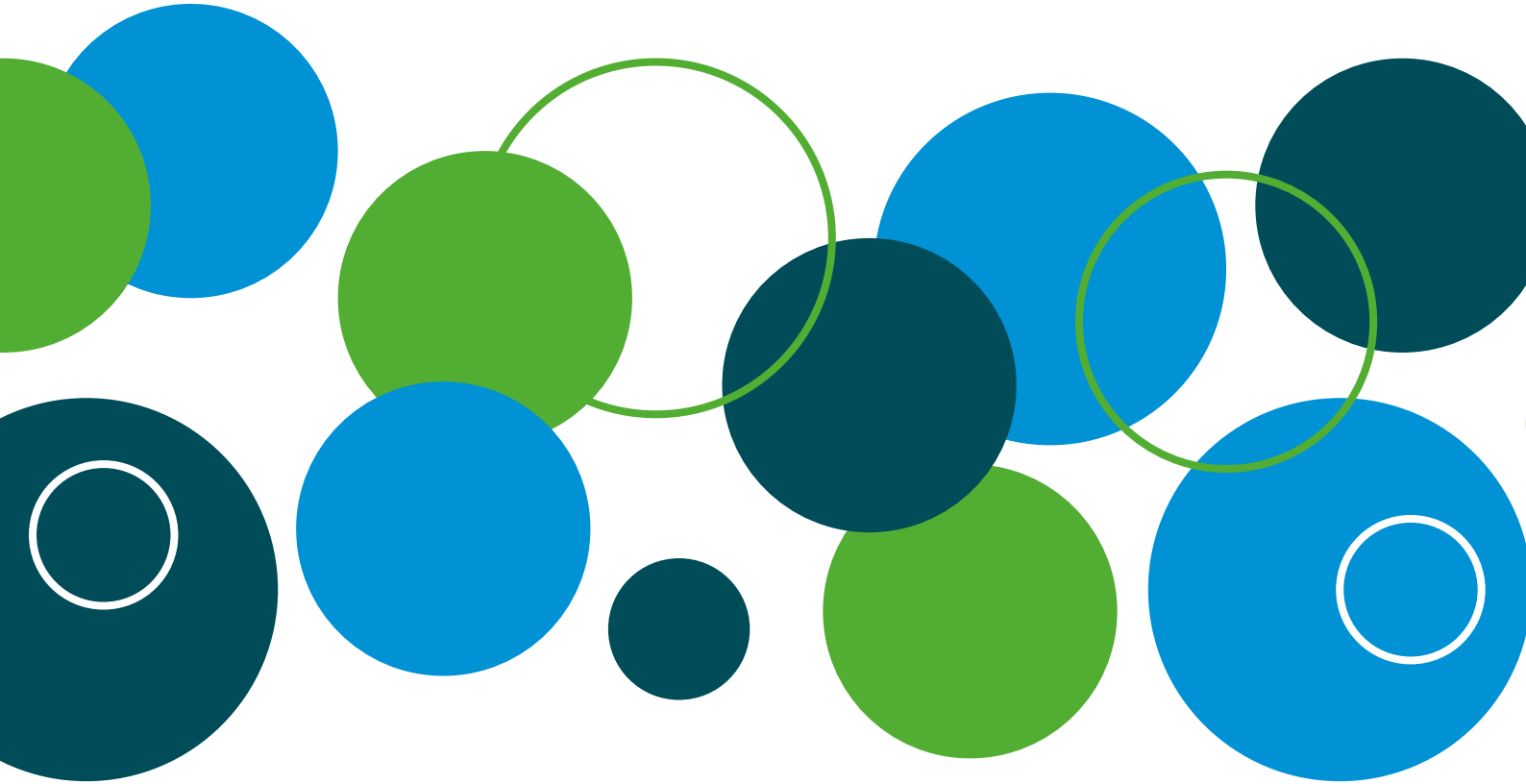
The Health Insurance Authority (HIA), unlike the Central Bank, is only concerned with the regulation of the Private Health Insurance Market in Ireland and it is the independent statutory regulator of that market. The HIA carries out its functions as set out under the Health Insurance Acts 1994-2011, principal among these is to ensure the operation of the market in compliance with the key principles of, or 4 pillars of Private Health Insurance.

The four pillars of Irish Private Health Insurance Market are:

- **Community Rating**
Community Rating is a system, where a person's age does not determine the level of premium they pay.
- **Open Enrolment**
Under Open Enrolment private health insurers must accept all applicants for insurance cover, regardless of their risk status, age or sex, subject to prescribed waiting periods.
- **Lifetime Cover**
Lifetime Cover protects you by guaranteeing all consumers the right to renew their policies, irrespective of factors such as age, risk status or claims history. Once you have health insurance, an insurer cannot stop cover or refuse to renew your insurance, except in very limited circumstances.
- **Minimum Benefits**
Given the complex and specialist nature of private health insurance products, in the absence of regulation there is a risk that consumers could be sold policies that do not provide a sufficiently comprehensive level of cover. The Health Insurance Act, 1994 made provision for the Minister to issue regulations specifying the minimum level of cover that an in-patient health insurance contract must include. This is the reason for example why all plans carry maternity cover, regardless of whether you are a man or woman.

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