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Health and care conference 2010
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Private medical insurance developments in Ireland

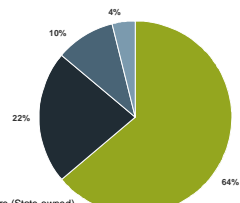


The Irish private medical insurance market

Market features

- Supplementary to public healthcare system
- 2.2 million people covered by private health insurance (51% of population)
- Three private health insurers in market

(Source: HSA, December 2009)



Insurer	Market Share
VHI Healthcare (State-owned)	64%
Quinn Healthcare	22%
Aviva	10%
Restricted undertakings	4%

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The Irish private medical insurance market

Regulatory features

- Open enrolment
- Community rating
- Lifetime cover
- Minimum benefits

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Risk equalisation scheme

- Introduced by Irish government to support community rating:
 - Neutralise differences in insurers' costs caused by variations in age profile of insurers' customers
- 2003: Specifications of scheme published
- Legal challenge
- July 2008: Supreme Court rules against the method of operation of the scheme

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Response to Supreme Court judgement

Government action:

- Lifetime community rating
- Intention to design a long-term "new 'risk equalisation' scheme"
- Interim measure to last for 3 years:
 - "Community rating" premium levy charged on insurer
 - Age-related tax credit paid to insurer

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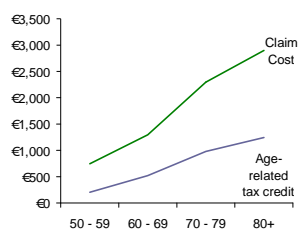
Premium levy and tax credits

- Intended to be revenue neutral for government
- Levy per customer for 2010:
 - €185 per adult
 - €55 per child
- Tax credit amounts set by government on the basis of profile of customers and claims

Age group	2010 tax credit
0 – 49	€0
50 – 59	€200
60 – 69	€525
70 – 79	€975
80+	€1,250

Age-related tax credit and claim costs

Age-related tax credits meant to represent "50% of the higher costs of insuring older people"



(Source: HSA, December 2009)

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Market impact

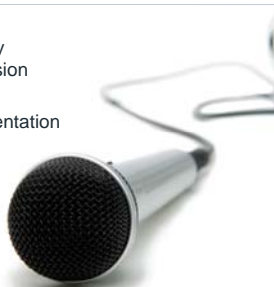
- Effect is for any company with older age profile to be net beneficiary of levy / credit system, but not to full extent of increased claim costs;
- Premium increases for customers:
 - Passing on cost of levy; or
 - Tax credits are insufficient to meet cost of claims from older customers.
- Longer-term uncertainty around possible replacement for risk equalisation:
 - Future profitability / solvency of existing insurers
 - Deterring new competition in market

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Questions or comments?

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