



THE HEALTH
INSURANCE

AUTHORITY

An tÚdarás Árachas Sláinte

Annual Report and Accounts 2008

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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 ("the Authority") for the year ending 31 December 2008.

A major focus of the Authority's work in 2008, as in previous years, was providing advice in relation to how the Irish community rated health insurance market should be structured in order to maximise the benefits of community rating for all consumers.

In any community rated market, a comprehensive risk equalisation or loss compensation system is required in order for the market to operate in the best interests of all consumers. Without a risk equalisation or loss compensation system, insuring older or ill people will be loss making. As a result, insurers that cover a higher proportion of older people will be at a significant competitive disadvantage and insurers will seek to avoid insuring older people. It follows that, without risk equalisation or loss compensation, competition will not function properly and the market will operate counter to the interests of ill and older people. This is why it is the international norm for risk equalisation or loss compensation to apply in community rated markets.

In July of 2008, the Supreme Court found that the Irish Risk Equalisation Scheme was *ultra vires* the Health Insurance Acts and the Scheme was set aside. This had significant consequences for the work of the Authority in 2008.

Prior to the decision of the Supreme Court the Authority was operating the Risk Equalisation Scheme and had furnished a number of reports to the Minister, which showed the extent of the differences in risk profile between the various insurers operating in the market.

Following the Supreme Court Decision, the Authority focused on providing advice to the Minister in relation to how to support the operation of community rating in the interests of consumers in the changed circumstances. The Authority advised that the alternatives were either to reconstitute the Risk Equalisation Scheme in some form or introduce some form of levy based or tax based loss compensation system. The Authority also recommended a range of other measures to support community rating.

The Health Insurance (Miscellaneous Provisions) Bill was introduced to the Oireachtas in December 2008. The Bill includes an interim levy / tax based system to support community rating. The Authority has commenced work in relation to drafting a comprehensive risk equalisation / loss compensation system to replace these interim measures when they expire in 2012. The Bill also includes other measures recommended by the Authority, such as assigning an enforcement function and an increased consumer information function to the Authority.

The Authority also provided advice to the Minister in relation to other health insurance matters, including the drafting of Lifetime Community Rating and Open Enrolment Regulations. In May 2008 the Authority published a report on consumer attitudes and behaviour. The report showed that consumers valued their health insurance cover highly and were reluctant to allow it to lapse. The Report also indicated that there was a high and growing level of satisfaction among consumers with regard to health insurance.

The health insurance market continued to grow throughout 2008 and at the end of the year 2.3 million people or 52% of the population had health insurance. The continued growth of the market in recent years has been influenced by economic conditions. The question arises as to the extent to which the size of the market will be affected by the current economic downturn. There are already indications that the total size of the market is declining and this will present challenges for the participants in the market and for the maintenance of community rating.

The Authority continues to provide consumers with information on their rights, including their right to change health insurer. In 2008, the Authority reached an agreement with health insurers to issue a Health Insurance Authority consumer information document to consumers with their renewal notices. The Authority also issues consumer information by publishing and circulating consumer information leaflets, by the publication of advertorials in the national press and via its website. As part of this work, the Authority maintains details of health insurance products on its website. The information on products is presented in a consumer friendly format that facilitates consumers in comparing their options. The level of contacts between consumers and the Authority increased again in 2008 and the Authority continues to assist consumers in relation to their dealings with insurance companies.

I am pleased to recognise the work and dedication of the Members of the Authority during 2008. I would also like to thank the Minister for Health and Children, Ms Mary Harney T.D., as well as officials in her 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 2008.



J. Joyce
Chairman

16 June 2009

2. Membership and Staff of the Authority

Membership

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



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. Mary Doyle

Ms. Doyle is the Head of Risk with the Irish Banking Federation. She is an Economist with extensive experience of Irish banking and business, focused on strategic economic analysis. She has acted as an Economic Consultant for the World Bank and has research experience in the fields of training, tourism and EU regional policy. Her qualifications include a Masters Degree in Economics and a Diploma in Accounting and Finance. She has been a member of a number of industry wide advisory groups, including IBEC and the IBF.



Mr. Aidan O'Donnell

Mr. O'Donnell is an Actuary. He has over 20 years of experience in the financial services industry having worked in a variety of senior roles with Irish Life, Bank of Ireland and Anglo Irish Bank. Currently he is Chief Product Officer and Actuary for Hartford Life's operations in Europe. He is a Fellow of the Society of Actuaries in Ireland and also holds a Masters Degree in Business Administration from University College Dublin.



Mr. Paul Turpin

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

Management

The Management Team of the Authority is as follows:



Mr. Liam Sloyan

Chief Executive / Registrar



Mr. Eamonn Horgan

Corporate Affairs Manager / Secretary to the Authority



Mr. Brendan Lynch

Head of Research / Technical Services



Mr. Micheal O'Briain

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, the Health Insurance (Amendment) Act, 2001, the Health Insurance (Amendment) Act, 2003 and the Health Insurance (Amendment) Act, 2007 (“the Health Insurance Acts”)¹. This legislation provides for the operation and regulation of the business of private health insurance in Ireland.

The European Union “Third Non-Life Insurance Directive” (“the Directive”) sets out the requirements for the internal market for Member States regarding non-life insurance, including health insurance². It allows individual Member States to adopt these requirements in a manner most appropriate to their particular national legal systems and national healthcare systems. The Directive was transposed into Irish law through the enactment of the Health Insurance Acts, which legislated for the four principles of private health insurance in Ireland, namely, community rating, open enrolment, lifetime cover and minimum benefit.

The principal functions of the Authority as provided for in the Health Insurance Acts are:

1. to maintain the “Register of Health Benefit Undertakings”;
2. to advise the Minister (either at his or her own request or on its own initiative) on matters relating to:
 - (a) the Minister’s functions under the Health Insurance Acts;
 - (b) the Authority’s own functions; and
 - (c) health insurance generally;
3. to monitor:
 - (a) the operation of the Health Insurance Acts;
 - (b) the carrying on of health insurance business; and
 - (c) health insurance generally;

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

² Council Directive 92/49/EEC of 18 June 1992 on the coordination of laws, regulations and administrative provisions relating to direct insurance other than life assurance and amending Directive 73/239/EEC and 88/357/EEC (third non-life insurance Directive). (OJ L 228, 11.8.1992, p.1).

4. to advise and report to the Minister in relation to risk equalisation and to manage and administer any risk equalisation scheme as set out under section 12 of the 1994 Health Insurance Act.

The Health Insurance (Miscellaneous Provisions) Bill, 2008 was published in December. If enacted, this Bill will assign the following additional functions to the Authority:

- to maintain a register of health insurance products;
- to evaluate and analyse returns received from insurers and issue a report on the evaluation and analysis to the Minister;
- to provide advice to the Minister in relation to the amounts of the levy on Health Insurers and on the tax relief provided to older persons;
- 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 carry out functions in relation to the regulation and enforcement of compliance with the Health Insurance Acts.

The Authority shall exercise such powers as are necessary for the performance of its functions. The Minister for Health and Children (“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 pool.

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 in full time education and members of group schemes.

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.

3.1.2 Risk Equalisation

Risk equalisation is a process that aims to equitably neutralise differences in insurers' claim costs that arise due to variations in the health status of their members. Where it applies, risk equalisation involves transfer payments between health insurers to spread some of the claims costs of high-risk members amongst all the private health insurers in the market in proportion to their market share. Risk equalisation is a common mechanism in countries with community rated health insurance systems.

Risk Equalisation Scheme, 2003

In 2003, the Minister for Health and Children introduced a Risk Equalisation Scheme under the Health Insurance Acts. Health insurers were required to make returns to the Authority every six months. The Authority was required to evaluate and analyse the returns made to it and provide a report to the Minister giving details of its evaluation and analysis. Under the Scheme, payments would only commence if the Authority recommended that they be commenced and the Minister accepted the Authority's recommendation.

In May 2005, BUPA Insurance Limited commenced legal proceedings against the Risk Equalisation Scheme. While payments under the Risk Equalisation Scheme had not been commenced at this time, the High Court ordered that a stay on the transfer of funds under the Risk Equalisation Scheme would apply until the legal proceedings had concluded.

The Authority recommended, in October 2005, that risk equalisation payments be commenced. The Minister, having considered the Authority's report and submissions made to her, decided to commence payments with effect from 1 January 2006. However, no money was transferred due to the stay on payments put in place by the High Court.

In November 2006, the High Court upheld the Scheme. However, BUPA appealed to the Supreme Court. The Supreme Court granted BUPA's appeal on 16 July 2008 and the Risk Equalisation Scheme, 2003 was set aside.

The Authority had originally been named by BUPA as a respondent in these proceedings. Shortly after the proceedings commenced, the Authority was released from them. As no action of the Authority was successfully impugned by BUPA, the Authority sought and was awarded its costs from BUPA.

Other Legal Proceedings

Apart from the legal proceedings referred to above, there were four other sets of legal proceedings challenging the Risk Equalisation Scheme, 2003:

1. BUPA challenged a decision by the European Commission that the Risk Equalisation Scheme did not constitute a State Aid. This case was heard in the European Court of First Instance. In February 2008, the Court dismissed BUPA's claim stating that such a mechanism as the scheme is "necessary and proportionate" in the Irish private health insurance market.
2. In January 2006, BUPA sought a judicial review challenging the October 2005 recommendation of the Authority and the December 2005 decision of the Minister to commence risk equalisation payments.
3. In May 2007, Quinn Healthcare commenced proceedings in the High Court challenging the Health Insurance (Amendment) Act, 2007. These proceedings became moot following the 2008 Supreme Court judgment.
4. In July 2007, Quinn Healthcare was granted leave for a judicial review of the validity of the Risk Equalisation Scheme. These proceedings became moot following the 2008 Supreme Court judgment.

Risk Equalisation Reports Submitted in 2008

Report Submitted to the Minister in January 2008

The Health Insurance Acts 1994 to 2007 provide that once a requirement to make payments under the Risk Equalisation Scheme arises, the Authority shall make an annual report to the Minister. The report should evaluate the operation of the Scheme with respect to its effects on the interests of health insurance consumers. As the requirement to make a payment under the Scheme did not arise, the Authority was not required to make such an annual report. However, the Authority considered that it was beneficial to inform the Minister on a regular basis in relation to its evaluation of the operation of the Scheme with respect to its effects on the interests of health insurance consumers.

A report was issued by the Authority in January 2008 covering the eighteen month time period from 1 January 2006 to 30 June 2007.

Inter alia, the report indicated that, during the period:

- Insurers with lower risk profiles continued to retain a competitive advantage over Vhi Healthcare as a result of those risk profiles and continued to grow market share.
- There was a greater fluidity of pricing structures in the market, leading in general to a more competitive market place.
- The significance of risk profile differences between insurers in the market continued to grow.
- If implemented the Risk Equalisation Scheme would have only partially compensated insurers with higher risk profiles.

The report also advised that the implementation of the Scheme and the making of payments were in the best overall interests of health insurance consumers.

Report Following the Analysis of Returns Received in January 2008

The ninth set of returns from insurers, which was for the period 1 July 2007 to 31 December 2007, was received by the Authority at the end of January 2008. The Authority reported to the Minister on these returns in April 2008. The Report again showed that the cost of health insurance claims varies very significantly with age and that the age profiles of insurers' memberships vary significantly in the Irish market. Specifically the report showed that claim costs for people over the age of 70 are on average 7 times the level of claim costs for adults under the age of 40 and Vhi Healthcare has 7 times the proportion of members over the age of 70 that its competitors have.

Updated Guide to the Risk Equalisation Scheme, 2003

An Updated Guide to the Risk Equalisation Scheme, 2003 was completed by the Authority and issued to insurers in March 2008.

Consultation Process with Insurers on Maximum Equalised Benefits

The Maximum Equalised Benefits in the First Schedule of the Risk Equalisation Scheme, 2003 had remained unchanged since the scheme began in 2003. A review of these limits commenced in 2008 but was terminated following the Supreme Court decision.

Consultation on Prospective Risk Equalisation

In 2007, the Minister requested that the Authority examine the feasibility of a prospective risk equalisation scheme.

Work was at an advanced stage in relation to drafting a consultation paper when the Supreme Court gave judgment on the legality of the Risk Equalisation Scheme in July. The project was then discontinued. Following a request from the Department of Health and Children, the Authority provided its preliminary views in relation to prospective risk equalisation. The Authority advised that, under a prospective system, there would be some additional certainty for insurers in projecting the level of risk equalisation transfers, but this would come at the expense of reduced accuracy in balancing the impact of risk profile differences between insurers.

3.1.3 The Health Insurance (Miscellaneous Provisions) Bill, 2008

Following the Supreme Court judgment in July 2008 the Authority wrote to the Minister for Health and Children in August 2008 providing advice in relation to the consequences of the Supreme Court judgment. The Authority advised that, in the Irish community rated market without Risk Equalisation, younger consumers (those under the age of 50) are, on average, profitable, while those over the age of 50 are unprofitable. In particular, those over the age of 70 tend to be extremely unprofitable. In the absence of Risk Equalisation, the following consequences are likely (in point of fact, the market has been trending in some of these directions for some time already):

- Insurers will design and market products so as to reduce their attraction to older customers.
- Insurers will attempt to segment their risks so that older customers are sold products that cost more or include a lower level of benefits.
- Insurers with more favourable risk profiles will be protected from real competition. Product promotion will feature risk selection and marketing spend rather than product quality and service.
- The most successful insurers will be those that can best select and segment risk, not necessarily those that provide the best service.
- Insurers with worse risk profiles will be obliged to charge higher premiums or incur losses. Switching of younger customers may exacerbate their problems.

At the time, the Authority suggested that alternatives for addressing these issues would be either to reconstitute the Risk Equalisation Scheme in some form or introduce some form of levy-based or tax-based loss compensation system. The Authority also recommended a range of other measures to support community rating.

Following this initial memorandum, the Authority continued to provide advice to the Minister and the Department on how community rating could be supported. This process culminated in the publication of the Health Insurance (Miscellaneous Provisions) Bill in December 2008.

Interim Taxation Measures to Support Community Rating

The Health Insurance (Miscellaneous Provisions) Bill, 2008 provides for the introduction of a system of age-based tax credits to support community rating. The Bill provides that Open Membership Insurers will receive higher premiums in respect of insuring older people, but older people will receive tax credits equal to the amount of the additional premium so that all people will continue to pay the same amount for their health insurance. In this way community rating is maintained but insurers receive higher premiums in respect of older people to partly compensate for the higher level of claims. The tax credits will be €200 for those aged 50 to 59; €500 for those aged 60 to 69; €950 for those aged 70 to 79 and €1,175 for those aged over 80. The tax credits start from the 2009 renewal date.

In order to fund the system, open membership insurers will pay a levy in respect of all individuals covered for health insurance. In 2009, this will be €160 for adults and €53 for children.

The community rating levy and tax credits, like the existing tax relief at source of 20% of premium, will be administered by the health insurance undertakings.

The measures will be in place for three years in order to allow time for a comprehensive risk equalisation / loss compensation system to be put in place.

Prior to the publication of the Bill, the Authority reviewed the draft system. The Authority advised that the proposed approach was reasonable as an interim measure to address the issues that arose for a community rated market in the absence of risk equalisation. The Authority considered that the suggested parameters for the system were objectively justifiable and proportionate.

The Authority also advised that the proposed system provides for a lower level of support for older lives than would be required in order to adequately address the issues that arise for a community rated market in the longer term. This is because the proposed system does not involve the level of sophistication of a comprehensive risk equalisation / loss compensation system and, as a consequence, the level of payment for which proportionality could be satisfactorily established is lower. In the longer term, the Authority considers that in order to protect the core principles of community rating, along with fair competition, a comprehensive risk equalisation / loss compensation system will be required. In 2009, the Department of Health & Children requested that the Authority commence drafting a comprehensive system.

Amendments to the Health Insurance Acts

The Authority also provided advice to the Minister on a range of other measures to support community rating and facilitate competition in the health insurance market. In this context, the Health Insurance (Miscellaneous Provisions) Bill 2008 includes the following amendments to the Health Insurance Acts:

- The Bill specifies the principle objective of the Health Insurance Acts, which is linked to ensuring that no discrimination applies on the basis of age or health status in relation to the provision of health insurance services. The Act prohibits registered undertakings from engaging in practices that avoid the achievement of the principle objective.
- Insurers will be required to offer health insurance contracts for a period of not less than 31 days.
- Insurers will be required to submit new contracts to the Authority 20 working days before offering them to potential customers.
- The Authority shall establish a Register of Health Insurance Contracts and the Register shall be available for inspection by the public free of charge.
- Insurers will be required to make information returns to the Authority to enable it to perform its functions of advising the Minister under the Health Insurance Acts.
- The Minister may prescribe information to be included in offers of health insurance contracts and advertisements.
- No new Restricted Membership Undertakings may provide cover for in-patient hospital services.
- The Authority will have the power to issue enforcement notices where it is of the opinion that an insurer is contravening a provision of the Health Insurance Acts or is likely to do so again.
- The functions of the Authority are expanded to include “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 amendments significantly increase the functions of the Authority, particularly in relation to the providing of consumer information and enforcing compliance with the Health Insurance Acts.

3.1.4 The Register of Health Benefit 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 the business of health insurance 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 undertakings in Ireland. Open Membership Undertakings are health insurers that must accept all consumers who wish to obtain private health insurance (subject to certain limited restrictions as specified in the legislation). The Restricted Membership Undertakings are mainly vocational schemes, membership of which is restricted to employees of particular organisations.

BUPA transferred its business to Quinn Healthcare during 2007. BUPA did not renew their registration in 2008 and, as a consequence, are no longer included on the Register.

On 15 May 2008, Hibernian Group Plc (“Hibernian”) purchased a 70% share in VIVAS Insurance Limited, trading as VIVAS Health. The registered undertaking was renamed Hibernian Health Insurance Limited.

Two Restricted Membership Undertakings, CIE Clerical Staff Hospital Fund and Motorola Medical Aid Society ceased to be included on the Register of Health Benefit Undertakings in 2008.

Undertakings on “The Register of Health Benefits Undertakings” at 31 December 2008 are listed in *Appendix B*.

3.2 Research and Advice

3.2.1 Commissioned Research

In 2007, the Minister requested that the Authority initiate a process of consultation on defining the level of health insurance which should be subject to community rating.

The Authority appointed FGS McClure Watters and their specialist partner, York Health Economics Consortium as external advisers to provide support in relation to this project. Work was at an advanced stage in relation to drafting a consultation paper when the Supreme Court gave judgment on the legality of the Risk Equalisation Scheme in July. The project was then suspended. Following a request from the Department of Health and Children, the Authority provided its preliminary views in relation to whether there should be a level of health insurance cover, above which cover is not subject to community rating. The Authority advised that, in practice, there would be significant difficulties in protecting community rating in a mixed community rated / risk rated market.

Research on the Health Insurance Market

In 2007, the Authority commissioned Insight Statistical Consulting to carry out a qualitative and quantitative research study of the private health insurance market in Ireland with the following specific requirements:

- (a) to provide a clearer perspective of the private health insurance market;
- (b) to identify key trends over the three surveys conducted in 2002, 2005 and 2007; and
- (c) to identify effects of recent changes in the health insurance market.

Some of the issues that were specifically identified included more information on the role of employer-based group schemes and switching behaviour between insurers.

The research work included a national face-to-face survey of 1,000 adults, an employer survey of 200 administrators of private health insurance group schemes and a qualitative research programme comprising 6 consumer focus groups.

The report was provided to the Minister in April 2008 and subsequently published.

The principle findings of the research were as follows:

- Approximately one in every two adults has private health insurance.
- The newer entrants to the market (Quinn Healthcare and Hibernian Health) continue to gain market share.
- Consumers value their health insurance cover highly and that there was a high and growing level of satisfaction among consumers with regard to health insurance.
- Consumers of health insurance ranked it as the second most important employment benefit (behind a pension).

- 84% of the large employers in the sample that operate health insurance schemes stated that health insurance is an important benefit for employees.
- A majority of the workplace group schemes sampled were paid for (fully or partially) by the employer.
- Consumer awareness of their rights and their knowledge of their health insurance products had increased since the 2005 survey.

3.2.2 Legislation

VHI (Amendment) Act, 2008

The Voluntary Health Insurance (Amendment) Act 2008 was enacted in April. The main purpose of the Act is to confer additional functions on the Voluntary Health Insurance Board and to allow it to create subsidiaries with a view to obliging it to apply for an authorisation for a relevant subsidiary as a non-life insurer from the Financial Regulator. The provisions of the Act are broadly consistent with the advice included in the Authority's Report to the Minister on Competition in the Irish Private Health Insurance Market. The Act provides that Vhi Healthcare acquire sufficient solvency funds for authorisation by the Financial Regulator as an insurance entity by 31 December 2008 or such later date as the Minister may by order appoint. In December 2008, the Minister for Health and Children made a Regulation appointing 31 March 2009 as the date by which Vhi Healthcare must acquire sufficient solvency funds.

The Act also provides for amendments to the Health Insurance Acts and the Authority provided advice to the Department in relation to these amendments.

The main amendment to the Health Insurance Acts was provision for the repeal of clause (c) in the definition of a health insurance contract. This clause excludes some types of contracts of insurance provided by two cash plan providers from the definition of a health insurance contract.

3.2.3 Monitoring the Health Insurance Environment

Product Issues

There has been a substantial increase in the number of health insurance products and product variations in the marketplace since early 2005. There were over 60 products and over 100 product variations in total in the marketplace at the end of 2008. The Authority reviews all products in the marketplace on an ongoing basis for compliance with the health insurance legislation and Regulations.

Some of the notable developments since early 2005 include the following:

- An increase in the number of primary care products that either stand-alone or are product add-ons;
- An increase in the number of products marketed towards occupational groups or individual companies' employees;
- Significant claims excesses on some products;
- Large variations in maternity care cover between different products;
- The introduction of products that provide cover for a private room in public hospitals but only cover a limited number of private hospitals; and
- Products and terms that are only available for a very short time and that are only marketed to certain groups.

The Authority has advised the Minister that the large increase in product variations could be used by insurers to segment their risks, i.e. different product variations could be marketed to different age groups. In practice, this enables the insurer to charge significantly different premiums for similar products depending on the age profile of the membership of the product variation. The Authority considers that such practices may serve to undermine community rating. While the Health Insurance (Miscellaneous Provisions) Bill 2008 contains some measures intended to address this issue, the practice is likely to continue and evolve in the absence of a comprehensive risk equalisation system.

Lifetime Community Rating

Lifetime community rating is a system whereby insurers may charge a higher premium to those who take out health insurance for the first time later in life. Under Lifetime Community Rating a 70 year old person who has been insured since the age of 30 would pay the same premium as a 30 year old but a 70 year old who was not previously insured could be charged a higher premium. The Authority considers that the introduction of lifetime community rating would reduce adverse selection in the market.

The Health Insurance Acts provide for the introduction of Regulations establishing a system of lifetime community rating in Ireland. Draft Regulations have been circulated to the insurers for consideration. In November 2008, the Minister reiterated her intention to introduce Lifetime Community Rating Regulations.

Open Enrolment

In view of the proposed introduction of lifetime community rating, it is also proposed that the Open Enrolment Regulations will be amended in relation to the provisions allowing for waiting periods to vary with age at entry. Draft Regulations have been circulated to insurers for consideration.

Minimum Benefits

The Authority monitors compliance with the Minimum Benefit Regulations, which are important for the effectiveness of community rating and for consumer protection. On occasion, the Authority has raised issues concerning the Regulations with an insurer.

In its 1999 White Paper on Private Health Insurance, the Government indicated its intention to amend the current system of Minimum Benefits. In 2008, in its memorandum to the Minister in relation to the consequences of the Supreme Court judgment on the Risk Equalisation Scheme, the Authority advised that in view of increases in healthcare costs and the introduction of new medical treatments, the Minimum Benefit Regulations require updating.

3.3 Consumer Interests

The interests of consumers are of key importance to the Authority. The Authority assesses the effect of any regulations or new legislation on consumers. The Authority also aims to increase consumer awareness of their rights and assist them in understanding health insurance products. Under its function to monitor the operation of health insurance business, the Authority 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 complaints against insurers. In 2008, the volume of queries and complaints rose to over 600. The increase in the level of queries was most marked from the end of November onwards, when the rate of contacts doubled. The level of contacts has continued at this higher rate. The increase in contacts coincided with the inclusion of consumer information with renewal notices, the placing of advertorials in the press and the wider distribution of the Health Insurance Authority's consumer information booklets.

Topics that were frequently raised with the Authority were:

- general queries regarding health insurance contracts and waiting periods;
- rights in relation to switching insurers;
- service standards of insurers;
- the cost of private health insurance; and
- requests for the Authority's information publications.

During 2008, the Authority intervened successfully on behalf of consumers in relation to problems they were encountering with their insurance company. Two examples of the types of cases addressed by the Authority are set out below.

Case Study 1

A consumer had to be hospitalised after an incident while on holidays in Bulgaria. The hospital advised they knew of her insurer and were happy to treat her, however, the consumer later received a bill for the treatment after her return to Ireland. The insurer advised the consumer that the bill would be paid, yet it remained unpaid despite several enquiries by the consumer. She was then advised she would have to send her claim to an overseas office. When the consumer received a final bill from Bulgaria and a threat of legal action she was advised by the insurer that they didn't cover Bulgarian hospitals. She then contacted the Health Insurance Authority.

The insurer commenced an investigation upon being requested to do so by the Authority and concluded an error had been made, both in the advice given to the consumer and in the non-payment of the bill. All issues were resolved to the consumer's satisfaction and the insurer committed to reviewing its services.

Case Study 2

A consumer underwent a treatment for which she could claim €250 off the total cost of the treatment from her health insurer. The treatment had recently been reduced in price from €750 to €600 and the insurer now said they would only cover €100 of the cost. The consumer said she was aware the discount was not available in conjunction with promotional offers, but the price had been changed rather than reduced temporarily. The insurer claimed there had been a change in policy.

The Health Insurance Authority contacted the insurer and asked how the terms of the consumer's contract could be changed mid-term. The insurer investigated the claim and acknowledged the consumer had been misinformed and would be reimbursed the full €250.

3.3.2 Consumer Information

The Minister for Health and Children requested that the Authority give consideration to the question of improving consumer awareness of their rights to move between insurers under the existing regulatory framework and to take steps to highlight the portability rights of the insured.

In 2008, the Authority reached an agreement with insurers to provide information on consumer rights, including the right to switch insurer, to consumers with renewal notices. In this way consumers are provided with information on their rights when the information is most relevant to them.

The Authority also provides consumer information through the media, through press advertisements / advertorials, through its website and by distributing its consumer information booklets through 1,200 GP surgeries and hospitals, Citizens Information Centres and other relevant locations.

3.3.3 Website

In 2008, the Authority continued to improve the content of its website for users, particularly in the area of consumer information. The Authority also improved its website accessibility through the application of a text-to-speech software program which allows web pages to be read aloud to the user, as well as reading PDF's, hyperlinks and picture tags. This software greatly increases accessibility to users with dyslexia, learning disabilities, mild visual impairments or for people where English is not their first language.

4. Corporate Affairs

4.1 Strategy

The Authority was established as an independent regulator for the private health insurance market in Ireland. In fulfillment 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 facilitating a competitive health insurance market whilst preserving community rating, open enrolment and lifetime cover”.

The Mission of the Authority

The mission of the Authority is to:

- monitor and research health insurance generally;
- advise the Minister on health insurance generally;
- make recommendations on the implementation or otherwise of risk equalisation and managing and administering any Risk Equalisation Scheme;
- implement other relevant regulations as prescribed;
- safeguard the interests of current and future health insurance consumers; and
- advise on and implement measures to support community rating.

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 Authority prepared a “Code of Practice for the Governance of the Health Insurance Authority” based on the “Code of Practice for the Governance of State Bodies” issued by the Department of Finance in March 2002.

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 2008 were prepared and submitted to the Office of the Comptroller and Auditor General (“the C&AG”) for audit. These Accounts have been audited and approved by that office and are set out in this Annual Report at Section 5. The Authority adheres to corporate governance documentation issued by the C&AG 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 Community, Rural 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 2008 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 has sanction for nine 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, 1994³. 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 premium income and numbers of insured persons. These statistics are summarised in *Appendix A*. The Register of Health Benefits Undertakings as at 31 December 2008 is set out in *Appendix B*.

3 The Health Insurance Act, 1994 (Section 17) Levy Regulations, 2001 (S.I. No. 255 of 2001).



Report and Accounts 2008



5. Report and Accounts

for the year 1 January 2008 to 31 December 2008

To the Minister for Health and Children

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 2008.

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Authority Information

Members of the Authority

J. Joyce (Chairman), *term commenced February 2006*

Dónall Curtin, *term commenced April 2006*

Mary Doyle, *reappointed February 2006*

Aidan O'Donnell, *reappointed February 2006*

Paul Turpin, *term commenced October 2007*

Chief Executive / Registrar

Liam Sloyan

Secretary

Nora Rahill *to February 2008*

Eamonn Horgan *from March 2008*

Bankers

AIB plc.
40 / 41 Westmoreland Street
Dublin 2

Bank of Ireland
Ranelagh
Dublin 6

Bank of Scotland (Ireland)
Bank of Scotland House
124-127 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 for presentation to the Houses of the Oireachtas

I have audited the financial statements of the Health Insurance Authority for the year ended 31 December 2008 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.

Respective Responsibilities of the Authority and the Comptroller and Auditor General

The Authority is responsible for preparing the financial statements in accordance with the Health Insurance Act 1994, and for ensuring the regularity of transactions. The Authority prepares the financial statements in accordance with Generally Accepted Accounting Practice in Ireland. The accounting responsibilities of the Members of the Authority are set out in the Statement of Responsibilities of the Authority.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report my opinion as to whether the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland. I also report whether in my opinion proper books of account have been kept. In addition, I state whether the financial statements are in agreement with the books of account.

I report any material instance where moneys have not been applied for the purposes intended or where the transactions do not conform to the authorities governing them.

I also report if I have not obtained all the information and explanations necessary for the purposes of my audit.

I review whether the Statement on Internal Financial Control reflects the Authority's compliance with the Code of Practice for the Governance of State Bodies and report any material instance where it does not do so, or if the statement is misleading or inconsistent with other information of which I am aware from my audit of the financial statements. I am not required to consider whether the Statement on Internal Financial Control covers all financial risks and controls, or to form an opinion on the effectiveness of the risk and control procedures.

I read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of Audit Opinion

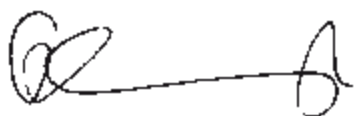
In the exercise of my function as Comptroller and Auditor General, I conducted my audit of the financial statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and by reference to the special considerations which attach to State bodies in relation to their management and operation. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures and regularity of the financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgments made in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations that I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion, the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the Authority's affairs at 31 December 2008 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.



Gerard Smyth

For and on behalf of the Comptroller and Auditor General

21 May 2009

Statement on Internal Financial Control

Statement from the Chairman regarding the assessment of internal financial controls of The Health Insurance Authority as required in paragraph 10.2 (iii) of the “Code of Practice for the Governance of State Bodies” approved by the Government in October 2001.

1. 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.
2. 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.
- 3-4. 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.

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. 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 2008. 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.

The Authority reviewed the effectiveness of the internal financial controls for 2008. The Authority carried out an internal audit review of the Authority and its business. The internal audit conducted in November 2008 included a review of the key systems and financial controls. External consultants were engaged to carry out this analysis, which involved the active participation of the Members and staff of the Authority to identify and prioritise potential risks.

Signed on behalf of the Members of the Authority



J. Joyce

Chairman, The Health Insurance Authority

20 May 2009

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 and Children 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



P. Turpin
Member

20 May 2009

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 collected by the Authority in respect of the period. This takes account of payments made to the Authority in accordance with the Health Insurance Acts, 1994-2007 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 Children and the Minister for Finance, make a scheme for the granting of superannuation benefits to staff members of the Authority. The Authority is in the process of finalising such a scheme in cooperation with both Departments and 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 of 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.

Financial Statements

Income and Expenditure Account

for the year ended 31 December 2008

	Notes	12 months ended 31 December 2008 €	12 months ended 31 December 2007 €
Income	1	2,313,144	2,069,541
Administration Costs	2	(1,456,722)	(1,896,106)
Excess of income over expenditure		856,422	173,435
Interest Receivable		82,197	62,762
Surplus for the period		938,619	236,197
Accumulated Surplus at beginning of period		812,360	626,163
Transfer to General Reserve	8	(50,000)	(50,000)
Accumulated Surplus at end of period		1,700,979	812,360

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



J. Joyce
Chairman

20 May 2009



P. Turpin
Member

The Statement of Accounting Policies and Notes 1 to 11 form part of these Financial Statements.

Balance Sheet

at 31 December 2008

	Notes	2008 €	2007 €
Fixed assets			
Tangible assets	4	6,266	3,699
Current assets			
Bank and Cash		3,100,589	2,386,034
Prepayments and other debtors	5	713,276	558,128
		3,813,865	2,944,162
Creditors (amounts falling due within one year)			
Creditors and accruals	6	(861,257)	(927,606)
Net current assets		2,952,608	2,016,556
Total assets less current liabilities		2,958,874	2,020,255
Net assets		2,958,874	2,020,255
Representing			
Accumulated excess income over expenditure	8	1,700,979	812,360
General Reserve		1,257,895	1,207,895
		2,958,874	2,020,255



J. Joyce
Chairman

20 May 2009



P. Turpin
Member

The Statement of Accounting Policies and Notes 1 to 11 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. The Health Insurance Act, 1994 (Section 17) Levy Regulations, 2001 sets the actual rate for the income levy at 0.14% of basic health insurance premiums paid to all commercial and restricted undertakings in Ireland.

	2008	2007
	€	€
Income Levy	2,313,144	2,069,041
Freedom of Information	0	500
	2,313,144	2,069,541

2. Administration Costs

	2008	2007
	€	€
Salaries and staff costs (including training)	640,600	604,320
Members' remuneration	40,144	31,500
Rent, Service Charges and Maintenance	162,708	126,820
Recruitment costs	25,256	9,966
Consultancy (Note 3)	385,303	628,745
Insurance	40,672	47,234
Computer and Stationery Costs	24,600	20,635
Other Administration Costs	62,109	51,788
Consumer Information	60,127	357,125
Audit	13,000	13,000
Depreciation	2,203	4,973
	1,456,722	1,896,106

3. Consultancy Costs

	2008 €	2007 €
Accountancy	85,369	64,273
Actuarial Services	91,799	75,286
Legal Services	94,022	320,092
Public Relations	47,829	45,963
Research	60,928	118,007
Superannuation	2,178	726
Translation Services	3,178	4,398
	385,303	628,745

4. Tangible Fixed Assets

	Computer Equipment €	Office Fitting, Furniture & Equipment €	Total €
Cost			
At 31 December 2007	65,900	330,516	396,416
Additions during period	3,778	992	4,770
Disposals during period	0	0	0
At 31 December 2008	69,678	331,508	401,186
Depreciation			
At 31 December 2007	62,648	330,069	392,717
Charge for period	1,890	313	2,203
Depreciation on disposals	0	0	0
At 31 December 2008	64,538	330,382	394,920
Net Book Value			
At 31 December 2008	5,140	1,126	6,266
At 31 December 2007	3,252	447	3,699

5. Prepayments and other debtors

	2008 €	2007 €
Accrued income	574,212	520,708
Prepayments and Other Debtors	138,732	36,978
Travel Cards	332	442
	713,276	558,128

6. Creditors (amounts falling due within one year)

	2008 €	2007 €
Trade creditors and accruals	246,173	439,122
Pensions provision (Note 7)	572,384	436,362
PAYE / PRSI	16,199	14,451
Professional Services Withholding Tax	22,115	36,555
Value Added Taxation	4,386	1,116
	861,257	927,606

7. Pensions Provision

The Authority is in the process of finalising 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 Children and the Minister for Finance is awaited. Contributions are payable to the Minister for Health and Children including employer contributions at a rate of 25% from July 2006, (16.66% previously) of pensionable pay and are charged to the Income and Expenditure Account. The Minister has agreed to reimburse the Authority in respect of benefits paid under the scheme. The following contributions are included in the heading, "Salaries and Staff Costs (including training)" **(Note 2)**:

7. Pensions Provision *continued*

	2008 €	2007 €
At beginning of period	436,362	306,258
Employee Contributions	24,478	26,016
Employer Contributions	111,554	106,497
Total	572,384	438,771
Refunds of Contributions	0	(2,409)
Transfers into Pension Provision	0	0
Refund Due	0	0
At end of period	572,384	436,362

8. Accumulated Surplus on Income and Expenditure Account

	2008 €	2007 €
At beginning of period	812,360	626,163
Surplus for period	938,619	236,197
	1,750,979	862,360
Transfer to General Reserve	(50,000)	(50,000)
Retained surplus	1,700,979	812,360

9. Capital Commitments

There are no capital commitments for capital expenditure at 31 December 2008.

10. Contingent Liabilities

The Authority is involved in a legal proceeding where the court has yet to conclude upon the allocation of costs. All costs incurred by the Authority have been expensed in the year in which they occurred. The final costs are yet to be decided upon by the court and therefore any additional liability cannot reasonably be determined at this stage.

11. Approval of Financial Statements

The Financial Statements were approved by the Members of the Authority on 20 May 2009.

6. Appendices

Appendix A

Statistics Relating to the Private Health Insurance Market in Ireland, 2008

Table 1: Membership ⁽¹⁾ & ⁽²⁾

Year Ended	Total Insured Persons (000s)	Private Health Insurance Coverage as % of Population ⁽²⁾
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	2,299	51.6%

Table 2: Premium Income

Year	Total Income (€m)
2002	821.9
2003	978.2
2004	1,061.1
2005	1,152.7
2006	1,236.2
2007	1,477.8
2008	1,652.2

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- 1 All figures relate to the total private health insurance market, i.e. open enrolment and restricted undertakings.
 2 Population figures are based on CSO population estimates.

Appendix B

The Register of Health Benefit Undertakings as at 31 December 2008

Open Membership Undertakings

1. Hibernian Health Insurance Limited
(trading as Hibernian Health Limited)
2. Quinn Insurance Limited (trading as Quinn Healthcare)
3. The Voluntary Health Insurance Board (trading as VHI Healthcare)

Restricted Membership Undertakings

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