The Health Insurance Authority
Annual Report and Accounts 2012

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
Website: www.hia.ie

The paper used in printing this report has been sourced from a paper mill that uses wood pulp from a sustainable and sustained forest. No chlorine was used in the bleaching process.

Contents

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 2012.

The year 2012 was a year of significant progress in the regulation of the Irish private health insurance market. The year began with the application of significantly higher risk equalisation credits to protect community rating, and older health insurance consumers in particular, and ended with the enactment of the Health Insurance (Amendment) Act 2012. This Act puts Risk Equalisation on a permanent basis, while also enhancing the system and strengthening the regulatory and enforcement powers of The Health Insurance Authority.

One of the main measures included in the 2012 Act is the establishment of the Risk Equalisation Fund, which will be managed and administered by the Authority. The Fund will make payments of c. €500m in a year to support community rating. The establishment of this Fund is an important development in the regulation of Irish private health insurance.

Notwithstanding the progress made in 2012, gaps remain in the regulatory framework, one significant gap being the absence of effective product Regulations. The Minimum Benefit Regulations introduced in 1996 are now out of date and new Regulations are required in order to both protect community rating and to protect consumers from under-insurance.

The overall environment for private health insurance remains very challenging. While the market is declining, the rate of decline in itself (9% in total over four years) is not unexpectedly high in view of the economic circumstances that have prevailed over this period. The profile of those leaving the market is a concern, however, in view of the fact that a continuing flow of new and younger customers is important for the stability of a community rated market. In recent years the number of people in the 18 – 29 age group has declined at a rate of 10% p.a. This has increased the ageing of the market, which is now contributing c. 3.5% p.a. to health insurance claims inflation. As seen in this Report, however, the impact of ageing does not explain the extent to which the rate of claims inflation has accelerated to levels that give rise to a potentially serious situation for the sustainability of the private health insurance market.

The Programme for Government provides for the introduction of a system of universal health insurance and, in 2012, the Authority reported to the Minister at his request on how it sees its role developing in this context. The Report, which was submitted in July, considered the regulatory infrastructure required for a universal health insurance market.

The Authority's consumer information function continues to increase in popularity with consumers, with almost half a million contacts in 2012, mainly through the Authority's award winning website but also 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, and should assist consumers in mitigating the impact of price increases. The Authority also provides information through the media, through the distribution of consumer information booklets, and with the renewal statements issued by insurers.

I am pleased to recognise the work and dedication of the Members of the Authority during 2012. 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 2012.

J. Joyce
Chairman

20 June 2013

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.

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. 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.

Prof. Anthony Staines

Professor Staines is a public health specialist and the chair of health systems in the School of Nursing and Human Sciences in Dublin City University. A doctor, he has worked as an academic epidemiologist since 1990 in the UK and Ireland. He has just been appointed as acting chief medical information officer for the Health Services Executive. He has particular expertise in health information systems, and health service financing.

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.

Mr. Colm Farrell
Accountant

Mr. Farrell is a Fellow of the Association of Chartered Certified Accountants. Prior to joining the Authority in 2013, he held a number of senior management positions in the financial services sector.

The offices of The Health Insurance Authority are located at:

Canal House, Canal Road, Dublin 6.
LoCall: 1850 929 166
Tel: (01) 406 0080
Fax: (01) 406 0081
Email: info@hia.ie
Website: www.hia.ie

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").[1]

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:

"(1) The principal objective of this Act is to ensure that, in the interests of the common good and across the health insurance market, access to health insurance cover is available to consumers of health services with no differentiation made between them (whether effected by risk equalisation credits 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 health risk status, age or sex of, or frequency of provision of health services to, any such consumers or any class of such consumers, 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 become less healthy, including as they approach and enter old age;

(b) the desirability of ensuring, in the interests of societal and intergenerational solidarity, and regardless of the health risk status or age of, or frequency of provision of health services to, any particular generation (or part thereof), that the burden of the costs of health services be shared by insured persons by providing for a cost subsidy between the more healthy and the less healthy, including between the young and the old, and, without prejudice to the generality of that objective, in particular that the less healthy, including the old, have access to health insurance cover by means of risk equalisation credits;

(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; and

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

(d) the importance of discouraging registered undertakings from engaging in practices, or offering health insurance contracts, whether by segmentation of the health insurance market (by whatever means) or otherwise, which have as their object or effect the favouring of the coverage by the undertakings of the health insurance risk of the more healthy, including the young, over the coverage of the health insurance risk of the less healthy, including the old."

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 or take prosecutions;
- To carry out certain functions in relation to risk equalisation, including to manage and administer the risk equalisation fund;
- 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.

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.

3.1.2 Interim Risk Equalisation System

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 was "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 that applied from 2009-2012.

Age Related Tax Credits and Community Rating Stamp Duty in 2012

The Health Insurance (Miscellaneous Provisions) Act, 2009 introduced a tax based risk equalisation system. The Act provided that Open Membership Insurers received higher premiums in respect of insuring older people, but that older people received tax credits equal to the amount of the additional premium so that all adults were charged the same net amount for a particular level of cover. In this way all adults with that level of cover paid the same net amount but insurers received 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 2012 were the following:

Tax Credits	2012
50-59	Nil
60-64	€600
65-69	€975
70-74	€1,400
75-79	€2,025
80-84	€2,400
85+	€2,700

In order to fund the system, insurers paid a community rating levy in respect of all individuals that they cover. In 2012, this levy was €285 for adults and €95 for children.

These rates continued to apply up to 30 March 2013.

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

Overcompensation Assessment

The Authority is also required to assess whether the risk equalisation overcompensates any insurer.

- Once a year, by 1 April, insurers are required to 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 third such assessment, which was conducted in 2012, was in respect of the time period 1 January 2009 to 31 December 2011. The Authority determined that a reasonable profit in the Irish private health insurance market in these three years equated to 13% per annum return on capital. The only undertaking that was a net beneficiary in 2009, 2010 or 2011 was Vhi Healthcare. The Authority determined that Vhi Healthcare had not been overcompensated in the three year period.

3.1.3 The Health Insurance (Amendment) Act 2012

Throughout 2012, the Authority advised the Department of Health in relation to the drafting of the Health Insurance (Amendment) Act 2012 which provided, inter alia, for the Risk Equalisation System to come into effect from 2013 ("the 2013 Risk Equalisation System").

The 2013 Risk Equalisation System

Like the interim system, the 2013 Risk Equalisation System involves insurers receiving higher premiums for insuring members of less healthy groups of the population. Again, like the interim system credits equal to the amount of the additional premium are payable in respect of the members of less healthy groups, 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 received higher gross premiums in respect of insuring members of less healthy groups to partly compensate for the higher level of claims. Another similarity with the interim system is that the credits are funded by a levy payable by insurers for each person that they insure.

The main differences between the interim and the 2013 Risk Equalisation System are the following:

- Risk Equalisation Credits are paid from a fund operated by The Health Insurance Authority rather than in the form of tax credits.
- Risk Equalisation Credits payable in respect of premiums vary on the basis of age, gender, and level of cover, rather than just on the basis of age.
- The Community Rating Levy payable varies between children and adults and between two levels of cover.
- Risk Equalisation Credits are now also payable in respect of claims, with a fixed amount payable from the Risk Equalisation Fund for each night an insured person spends in private hospital accommodation. This reduces the cost to the insurer of insuring less healthy individuals.

The Risk Equalisation Credits and the Community Rating Levy are administered by the health insurance companies and the Risk Equalisation Fund. Community Rating Levy payments for policies commencing or renewing on or after 1 January 2013 are paid by insurers to the Revenue Commissioners who in turn transfer the money to the Risk Equalisation Fund. Risk Equalisation Credits are paid out of the Fund to the insurers by The Health Insurance Authority. Any surpluses or deficits in the Fund are carried forward and allowed for in setting future rates of the Community Rating Levy.

The Health Insurance Acts set out the process around Risk Equalisation Credits:

- The amounts of the Risk Equalisation Credits are specified in the Health Insurance Acts.
- The Authority evaluates and analyses claims, population and other data included in returns from insurers every 6 months.
- Once a year 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 rates of the Risk Equalisation Credits and the Community Rating Levy. The recommendations have regard to the principal objective, the aim of avoiding overcompensation, the aim of maintaining the sustainability of the health insurance market and the aim of having fair and open competition.
- If the Minister proposes to change the Risk Equalisation Credits he does so by proposing amendments to the Health Insurance Acts, where the amounts of the credits are specified.
- The Minister may, having regard to the Authority's Report, the principal objective, the aim of avoiding overcompensation, the aim of maintaining the sustainability of the health insurance market and the aim of having fair and open competition, make recommendations to the Minister for Finance on the rates of the Community Rating levy, which are provided for in the Stamp Duties Consolidation Acts.
- The rates of the Risk Equalisation Credits and the Community Rating Levy become law if enacted by the Oireachtas.

During 2012, the Authority received information returns for the second half of 2011 and for the first half of 2012 from each of the open membership insurers. Reports on the evaluations and analyses of these returns, were submitted to the Minister in April and November 2012. The November 2012 Report included the Authority's recommendation on the rates of the Risk Equalisation Credits and Community Rating Levy. The Authority subsequently provided the Minister with further calculations in the context of his deliberations. In December 2012, the Health Insurance (Amendment) Act 2012 was enacted providing that the following Risk Equalisation Credits and Stamp Duties would apply from 31 March 2013:

Risk Equalisation Credits

	Non-Advanced Contracts		Advanced Contracts	
	Male	Female	Male	Female
60-64	€375	€250	€425	€275
65-69	€900	€650	€1,050	€775
70-74	€1,450	€975	€1,700	€1,150
75-79	€2,050	€1,550	€2,425	€1,800
80+	€2,850	€1,925	€3,375	€2,275

A hospital bed utilisation credit of €75 is also payable in respect of each night spent in private or semi private accommodation by an insured person.

Community Rating Levy

	Non-Advanced Contracts	Advanced Contracts
Adult	€290	€350
Child	€100	€120

Level of Cover

Under the Health Insurance (Amendment) Act 2012, the Authority determines which types of health insurance contract are Non-Advanced Contracts to which the lower levels of Risk Equalisation Credits and Community Rating Levy apply. The definition of a Non-Advanced Contract was determined following consultation with the insurers and requires that the contract provides for not more than 66 per cent of the full cost for hospital charges in a private hospital or not more than the prescribed minimum payments under the Minimum Benefit Regulations, whichever is greater. It was anticipated that insurers would need time to adapt their contracts to meet these criteria and when the Authority first assessed the contracts in the market (before 31 December 2012) it found that no types of contract available in the market met the criteria for being non-advanced. However, this had no practical impact, as the lower levels of Risk Equalisation Credits and Community Rating Levy did not come into effect until 31 March 2013. On 31 March 2013, there were 32 types of health insurance contract specified as being non-advanced by the Authority, with each of the open membership insurers having at least one type of non-advanced contract. The types of contracts were specified as being non-advanced in Regulations promulgated by the Authority in March 2013 and also on the Register of Health Insurance Contracts.

Product Notification

The Health Insurance (Amendment) Act 2012 also increased the amount of notice that an insurer must provide to the Authority when it proposes to introduce a new type of health insurance contract from 10 working days to 30 days. It also increased the amount of time for which a type of health insurance contract must remain unchanged to 60 days.

Monitoring and Enforcement

The Authority's monitoring and enforcement powers were significantly enhanced in the 2012 legislation. The Authority will have the power to appoint Authorised Officers, who, in turn, will have the power to enter and secure premises in which relevant records are kept, require that records be produced, require any person employed in connection with a business to provide relevant information and require that reports be provided in relation to relevant matters.

In addition the Authority has the power to initiate summary prosecutions for breaches of the health insurance legislation.

3.1.4 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.

Elips Insurance Limited

On 1 May 2012, Elips Insurance 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 Insurance 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 Insurance Limited in Ireland. Elips Insurance Limited will also use the trading name Laya Healthcare in Ireland.

Elips Insurance Limited is authorised to conduct sickness insurance business under the Non-Life Directives by the Financial Markets Authority in Liechtenstein.

Great Lakes Reinsurance (UK) Plc

On 1 July 2012, Great Lakes Reinsurance (UK) Plc was added to the Register of Health Benefits Undertakings. GloHealth Financial Services Limited will sell and administer products on behalf of Great Lakes Reinsurance (UK) Plc, whose products will also use the GloHealth brand.

Great Lakes Reinsurance (UK) Plc is authorised to conduct sickness insurance business under the Non-Life Directives by the Financial Services Authority in the UK.

3.1.5 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-information/register-of-health-insurance-contracts/ or at the offices of the Authority.

Review of Proposed New Contracts

The Authority receives 30 days advance notice of all new contracts that insurers propose to offer and reviews the details of these for compliance with the Health Insurance Acts. Where the Authority has had concerns about contracts, it has informed insurers of its concerns. This process has led to contracts being amended or withdrawn by insurers.

A key consideration of the Authority when reviewing proposed new contracts is compliance with Minimum Benefit Regulations (1996). The Authority has recommended that new Regulations be introduced as the 1996 Regulations are now out of date.

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. Premium income in 2012 was €2.2bn, having risen from €2.0bn in 2011. Of the total, just over €100m was accounted for by restricted membership undertakings.

As can be seen in Appendix A, the number insured in the health insurance market was 2.1m including children at end 2012, which represented 46% of the population. After growing for many years, the number insured peaked at 2.3m (50.9% of the population) at the end of 2008 and has now fallen for the last four years.

The fall in demand for health insurance has been disproportionately manifested in demand from younger adults. Between the end of 2009 and the end of 2012, the number of adults between the ages of 18 and 50 with health insurance fell by 143,000 (-14%), while the number of adults over 50 with health insurance rose by 32,000 (+5%). Consequently, the current declining trend of the health insurance market with a differential trend as between age cohorts increases the rate at which the market in total is ageing.

In a voluntary community rated market based on intergenerational solidarity, retention of existing profitable (mostly younger) members and an influx of new younger members are key to market stability. The provisions in the Health Insurance (Amendment Act) 2012 for a lower Community Rating Levy in respect of non-advanced health insurance contracts (which are disproportionately held by younger people) could be of assistance in this area. In its November 2012 Report to the Minister, the Authority also identified two further policy options, allowing insurers to apply limited discounts in premiums for young adults and introducing Lifetime Community Rating (which applies a system of premium loadings for those who wait until they are older before they take out health insurance for the first time). Of course, in a universal health insurance market, such measures are not required because everybody is required to have health insurance, regardless of their age.

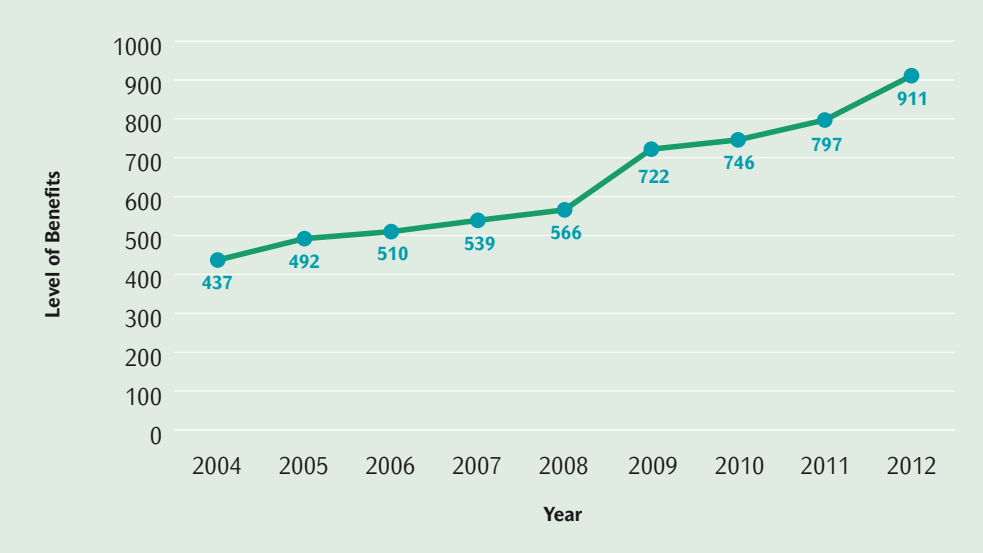
There are currently four open membership insurers operating in the market and the Vhi Healthcare market share, which was 95% before the market opened to competition has fallen to 56%. Laya Healthcare has a 22% market share, Aviva Health has 17% of the market, GloHealth has a 1% share and restricted membership undertakings have a 4% market share. Market shares vary significantly by the ages of the insured. The entrants to the liberalised market have not acquired very many of the oldest health insurance customers. For instance, at the end of 2012, Vhi Healthcare continued to insure 82% of those over the age of 70 who are insured with an open membership insurer.

Cost of Health Insurance

The average health insurance premium paid in 2012 was €1,048. This was an increase of 12% on the average premium for 2011 (€935). This rate of increase reflects the rate of increase in the average claim paid in the market (14% between 2011 and 2012), which in turn is impacted by the rate of increase in the number of hospital treatment days per insured person (10% between 2011

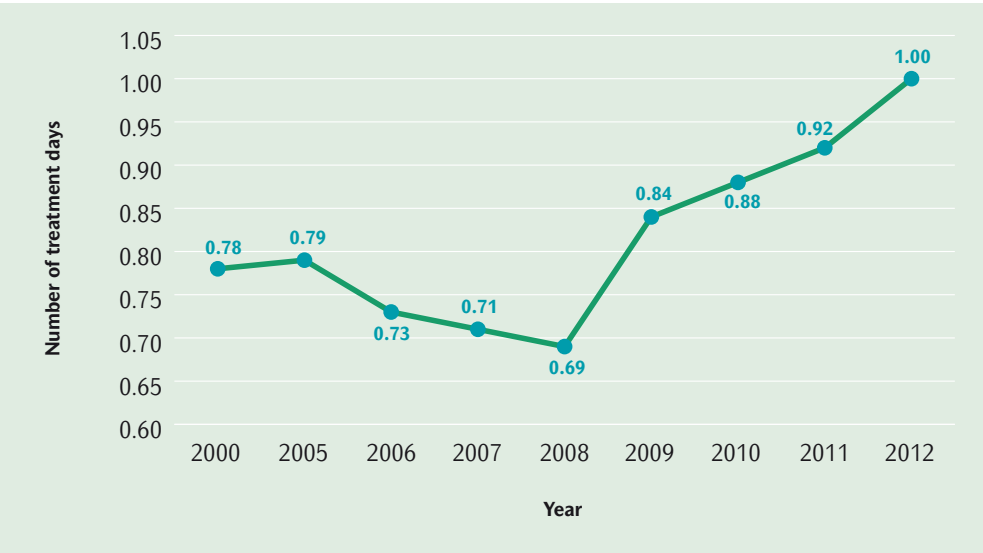
and 2012). The Authority estimates that approximately 3.5% of the increase in claims costs arises from the ageing of the insured population. The following charts show how the rates of claims paid and treatment days per insured person have increased between 2004 and 2012.

Market prescribed benefits per insured person from 2004 to 2012



In the four years between 2004 and 2008, the average prescribed benefit paid per insured person increased by 6.7% p.a. on average, while in the four years between 2008 and 2012, the average prescribed benefit paid per insured person grew by 12.6% p.a.

Market treatment days per insured person from 2004 to 2012



Between 2004 and 2008 the average number of treatment days per insured person fell by 12%. Between 2008 and 2012 the average number of treatment days per insured person increased by 45%.

The very high rate of increase in the number of treatment days per insured person and the associated cost of claims per insured person has given rise to a potentially serious situation for the sustainability of the private health insurance market. There was a step change in the rates of increase of treatment days and claims cost between 2008 and 2009 and, while these rates of increase abated somewhat in 2010 and 2011, the most recent returns for 2012 indicate that the rate of claims inflation has once more accelerated.

3.2.2 Commissioned Research on the Health Insurance Market

The Authority commissions research on the health insurance market every two years. The latest research, the fifth in the series, was published in 2012 based on field work done in late 2011. The series of research reports provides valuable information on the health insurance market, including trends over time in the market.

The principal findings of the latest research include the following:

- Private health insurance continued 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 said that they would maintain or upgrade their cover in the next 12 months increased from 73% to 85% since the 2010 Report.
- The overwhelming reason given for no longer being covered by private health insurance was 'expense/premiums too high/can't afford it', which was given by 50% of respondents who cancelled cover.
- The percentage of consumers who believe that premium increases are inappropriate (too high) has increased from 36% to 49%.
- The proportion of consumers that have switched insurer at least once continues to rise and is now 23% of private health insurance holders (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%. 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.

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 published a preliminary paper on UHI, which described the progress made in 2012 in preparing for UHI, and signalled the main areas of work for 2013. 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.

In 2012, the Minister requested that the Authority prepare a Report on how the Authority sees its role developing, including in the context of universal health insurance and what further powers/ resources might be appropriate. The Report was submitted to the Minister in early July.

The Report began by describing the current regulatory structure of the voluntary health insurance market and then summarised the Authority's views on how the Regulation of the current voluntary market should be strengthened.

With respect to universal health insurance, the Report concentrated on the regulatory infrastructure required for a universal health insurance market (other than financial regulation and conduct of business issues that come within the aegis of the Central Bank of Ireland), rather than considering the wider range of steps necessary to introduce a universal health insurance system or regulatory issues relating to UHI that are extraneous to the health insurance market itself. The Report addressed both issues in the current health insurance system and issues for UHI systems.

3.3 Consumer Interests

The Authority's functions include taking "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" as well as monitoring and, where necessary, enforcing 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 2012 the Authority received almost 5,000 queries and complaints from consumers by telephone, e-mail, letter and in person. 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 2012 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 rang to complain that he had received correspondence from an insurer purporting to charge a mid-term cancellation fee because, at his renewal date, he had switched to another insurer without advising his old insurer that he was switching. The call centre staff also advised him that a cancellation fee was owed. However the customer had not paid any premium for the new policy year with the old insurer, therefore he had not renewed with the old insurer and there was no policy in place to which a cancellation fee could apply.

The Authority contacted the customer's old insurer to query the issue and the insurer acknowledged a mistake had been made and the customer would not be charged a penalty for breach of contract. They undertook to contact the customer to apologise and to retrain staff. The customer was satisfied with the outcome.

Case Study 2

A consumer rang their insurer to cancel her policy and advise she was switching to another insurer. She was advised by the agent that if she returned to the insurer she was switching from after 13 weeks she would be treated as a new customer and full waiting periods would apply. As she didn' t think this was correct, she telephoned later and was told the same thing by a second agent.

The consumer then contacted the Authority to determine if this information was correct. The Authority advised that it was incorrect and that if she had continuous cover with another insurer, she could return to the first insurer later and no additional waiting periods would be applied as long as no upgrade in cover was involved. The Authority also contacted the insurer regarding the issue. The insurer investigated and acknowledged that incorrect advice was provided. The insurer undertook to retrain the staff members and to ring the customer to apologise.

3.3.2 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 Acts. The website includes a plan comparison facility, which allows consumers to choose the most appropriate plan 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 website received over 450,000 visitors in 2012; a 17% increase on website visitors in 2011 and the Authority's Facebook and Twitter pages also experienced significant increases in followers during the year.

The Authority's website received two awards in 2012; a Golden Spider Award for Best Listing website and the Irish Internet Association's Dot.ie Net Visionary Award for excellence in graphic design, navigability, accessibility and usability.

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;
- Carrying out its functions in relation to the system of age related tax credits;
- Carrying out its functions in relation to the Risk Equalisation System;
- 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 2012 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 the Gaeltacht 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.

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.

4.3 Resources

Staff

The Authority employs eleven members of staff. The Authority was established with sanction for nine members of staff 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 by the Health Insurance (Amendment) Act 2012, the Authority, in 2012, applied for and received sanction to recruit two further members of staff. The Authority appointed the two new staff members in late 2012.

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.[2] The levy is equal to 0.12% of premium income and is payable on a quarterly basis. When submitting levy payments, registered undertakings submit details of the numbers of insured persons and premium income. These statistics are summarised in *Appendix A.* The Register of Health Benefits Undertakings as at 31 December 2012 is set out in *Appendix D.*

2 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 2012 to 31 December 2012

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 2012.

Contents

Authority Information

Members of the Authority

Jim Joyce (Chairman), since 2006
Dónall Curtin, since 2006
Sheelagh Malin, since May 2010
Paul Turpin, since October 2007
Professor Anthony Staines, since October 2012

Chief Executive/Registrar

Liam Sloyan

Secretary

Eamonn Horgan

Bankers

AIB plc.
40/41 Westmoreland Street
Dublin 2

Permanent TSB
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

The Health Insurance Authority

I have audited the financial statements of the Health Insurance Authority for the year ended 31 December 2012 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 statements have been prepared in the form prescribed under Section 32 of the Act, and in accordance with 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 to 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 the Authority's 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 2012 and of its income and expenditure for 2012.

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 money has 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 is not consistent with the related 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.

Patricia Sheehan
For and on behalf of the
Comptroller and Auditor General

30 June 2013

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 2012. 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 2012.

Signed on behalf of the Members of the Authority

J. Joyce
Chairman
The Health Insurance Authority

28 June 2013

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

P. Turpin
Member

28 June 2013

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, 1994-2012 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 $33^1/_3\%$ 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 Public Expenditure and Reform, 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 Public Expenditure and Reform 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, 2012

	Notes	12 months ended 31 December, 2012 €	12 months ended 31 December, 2011 €
Income	1	2,706,824	2,451,115
Administration Costs	2	(1,312,150)	(1,245,753)
Excess of income over expenditure		**1,394,674**	**1,205,362**
Interest Receivable		179,683	133,173
Surplus for the period		**1,574,357**	**1,338,535**
Accumulated Surplus at beginning of period		5,586,823	4,298,288
Transfer to General Reserve	9	(50,000)	(50,000)
Accumulated Surplus at end of period		**7,111,180**	**5,586,823**

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

J. Joyce
Chairman

P. Turpin
Member

28 June 2013

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

Balance Sheet

at 31 December 2012

	Notes	2012 €	2011 €
Fixed assets			
Tangible assets	5	17,269	19,845
Current assets			
Bank and Cash		9,189,138	7,337,874
Prepayments and other debtors	6	757,821	791,857
		9,946,959	8,129,731
Creditors (amounts falling due within one year)			
Creditors and accruals	7	(1,395,153)	(1,154,858)
Net current assets		8,551,806	6,974,873
Total assets less current liabilities		8,569,075	6,994,718
Net assets		**8,569,075**	**6,994,718**
Representing			
Accumulated excess income over expenditure	9	7,111,180	5,586,823
General Reserve		1,457,895	1,407,895
		8,569,075	**6,994,718**

J. Joyce
Chairman

P. Turpin
Member

28 June 2013

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.

	2012 €	2011 €
Income Levy	2,704,150	2,451,100
Insurance Claim Proceeds	2,674	–
Freedom of information	–	15
	2,706,824	**2,451,115**

2. Administration Costs

	2012 €	2011 €
Salaries and staff costs **(Note 3)**	662,269	646,948
Training costs	13,630	17,811
Directors Fees **(Note 3)**	20,948	26,602
Recruitment	13,772	–
Rent, Service Charges and Maintenance	108,989	155,353
Consultancy **(Note 4)**	372,125	196,290
Insurance	17,156	32,410
Computer and Stationery Costs	27,237	25,056
Other Administration Costs*	25,788	30,627
Consumer Information	20,759	82,307
Audit	12,220	12,220
Depreciation	17,257	20,129
	1,312,150	**1,245,753**

The Health Insurance Authority rents offices at Canal House, Canal Road, Dublin 6 at a cost of €50,000 per annum. The Authority entered into a new lease for these offices in May 2012.

The amount expended on foreign travel in the year was €1,629.

* Other Administration Costs include €759 in relation to staff and board related events.

3. Directors Fees and CEO Remuneration

Fees payable to individual board members for 2012 were Jim Joyce (Chairman), €8,978 (2011: €8,978) Dónall Curtin €5,985 (2011: €5,985), Sheelagh Malin €5,985 (2011: €5,985), Paul Turpin €0 (2011: €5,155), Prof Anthony Staines €0, Mary Doyle €0 (term ended in January 2011: €499). No expenses were paid to board members.

The Chief Executive's annual salary for 2012 was €103,967 (2011: €103,967). The CEO received travel and subsistence expenses of €725 (2011: €647) and €0 (2011: €0) 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 2012.

The number of staff employed by the Authority 31 December 2012 was 10 (2011: 9).

4. Consultancy Costs

	2012 €	2011 €
Accountancy	48,608	46,495
Actuarial Services	183,941	72,280
Legal Services	120,263	6,215
Refund of legal costs	(93,562)	(24,669)
Public Relations	44,280	43,577
Research	23,213	28,676
Superannuation	(230)	858
Translation Services	1,203	799
Economic consultancy	44,409	22,059
	372,125	**196,290**

In May 2012 the Health Insurance Authority received funds of €183,562 (2011: €24,669) in respect of legal costs incurred in previous years regarding High Court judicial review proceedings. In the prior year the authority included €90,000 in prepayments in respect of this, thus resulting in a refund of €93,562 in the current year.

5. Tangible Fixed Assets

	Computer Equipment €	Office Fitting, Furniture & Equipment €	Website Development €	Total €
Cost				
At 31 December 2011	89,669	333,500	39,278	462,447
Additions during period	6,067	502	8,112	14,681
Disposals during period	(29,134)	(11,330)	–	(40,464)
At 31 December 2012	66,602	322,672	47,390	436,664
Depreciation				
At 31 December 2011	86,315	332,373	23,914	442,602
Charge for period	3,376	605	13,276	17,257
Depreciation on disposals	(29,134)	(11,330)	–	(40,464)
At 31 December 2012	60,557	321,648	37,190	419,395
Net Book Value				
At 31 December 2012	6,045	1,024	10,200	17,269
At 31 December 2011	3,354	1,127	15,364	19,845

6. Prepayments and other debtors

	2012 €	2011 €
Accrued income	725,353	646,594
Prepayments and Other Debtors	31,134	144,570
Travel Cards	1,334	448
Cycle to Work	–	245
	757,821	**791,857**

7. Creditors (amounts falling due within one year)

	2012 €	2011 €
Trade creditors and accruals	164,113	97,854
Pensions provision **(Note 8)**	1,165,141	1,015,480
Pension levy	2,706	2,715
PAYE/PRSI	14,812	15,181
Professional Services Withholding Tax	15,413	9,253
Value Added Taxation	32,968	14,375
	1,395,153	**1,154,858**

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 Public Expenditure and Reform 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" **(Note 2):**

	2012 €	2011 €
At beginning of period	1,015,480	868,848
Employee Contributions	26,384	25,679
Employer Contributions	123,277	120,953
Total	**1,165,141**	**1,015,480**

In addition €34,185 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

	2012 €	2011 €
At beginning of period	5,586,823	4,298,288
Surplus for period	1,574,357	1,338,535
	7,161,180	5,636,823
Transfer to General Reserve	(50,000)	(50,000)
Retained surplus	7,111,180	5,586,823

10. Capital Commitments

There were no commitments for capital expenditure at 31 December 2012.

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. Risk Equalisation Fund

The Health Insurance (Amendment) Act 2012 provides for the establishment of the Risk Equalisation Fund to come into effect from 1 January 2013. The Risk Equalisation Credits and the Community Rating Levy are administered by the health insurance undertakings, the Revenue Commissioners and the Risk Equalisation Fund. Community Rating Levy payments for policies commencing or renewing on or after 1 January 2013 are paid by insurers to the Revenue Commissioners who in turn transfer the money to the Risk Equalisation Fund. Risk Equalisation Credits will be paid, on behalf of consumers, out of the Fund to the health insurance undertakings by the Health Insurance Authority. Separate financial statements will be prepared by the Fund on an annual basis. The Authority will be responsible for administering and maintaining the Fund.

13. Approval of Financial Statements

The Financial Statements were approved by the Members of the Authority on 28 June 2013.

6. Appendices

Appendix A

Statistics Relating to the Private Health Insurance Market in Ireland, 2012

Table 1: Insured Persons [3] [4]

Year Ended	Total Insured Persons (oooos)	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	50.2%
December 2005	2,115	50.4%
December 2006	2,174	50.3%
December 2007	2,245	50.5%
December 2008	2,297	50.9%
December 2009	2,260	49.7%
December 2010	2,228	48.8%
December 2011	2,163	47.2%
December 2012	2,099	45.8%

(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*
2012	2,240.7*

** Includes H.S.F.*

Market Shares

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

December	Aviva Health* %	Laya Healthcare** %	Vhi Healthcare %	GloHealth %	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%
2012	16.9%	21.5%	56.4%	1%	4.1%

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

*** In respect of 2012, the data is a sum of the market shares of Quinn Insurance Ltd (Under Administration) and Elips Insurance Ltd. Previous years relate to Quinn Healthcare or (2006 and earlier) BUPA Ireland.*

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

Appendix B

Claim Variation by Age

Claims included in Returns per Insured Person in 2012

The source of the data in the above chart is information returns submitted to the Authority by insurers, which include c. 93% of claims paid by open membership undertakings.

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 risk equalisation. The figures in the table below are the number of thousands.

Age Group	2009	2010	2011	2012
0-17	518	505	495	479
18-29	310	284	256	230
30-39	365	351	331	312
40-49	321	315	308	302
50-59	272	272	269	266
60-69	197	204	208	211
70-79	101	106	110	114
80+	39	42	44	46

The following table shows how market shares varied with age at the end of 2012. The table below refers to open membership insurers only and excludes the restricted membership undertakings. The market shares attributed to Laya Healthcare are the sum of the market shares of Quinn Insurance Ltd (Under Administration) and Elips Insurance Ltd.

Age Group	Aviva Health %	Laya Healthcare %	VHI Healthcare %	GloHealth %
0-49	19%	25%	55%	1%
50-59	19%	21%	59%	0%
60-69	15%	20%	65%	0%
70-79	9%	12%	78%	0%
80+	6%	6%	89%	0%

Appendix D

The Register of Health Benefits Undertakings as at 31 December 2012

Open Membership Undertakings

1. Aviva Health Insurance Limited (trading as Aviva Health);
2. Elips Versicherungen AG (Elips Insurances Ltd.) (trading as Laya Healthcare);
3. Great Lakes Reinsurance (UK) PLC (trading as GloHealth);
4. H.S.F. Health Plan Limited (trading as Hospital Saturday Fund);
5. Quinn Insurance Limited Under Administration (trading as Quinn Healthcare); and
6. 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 2012

Authority Member	Meetings Attended*
Mr. Jim Joyce, Chairman	13
Mr. Dónall Curtin	7
Ms. Sheelagh Malin	13
Prof. Anthony Staines**	5
Mr. Paul Turpin	13

** There were a total of thirteen Authority meetings held in 2012.*

*** Prof. Staines was appointed to the Authority on 1 October 2012.*