100% Healthcare

Vhi Healthcare
Annual Report
& Accounts 2009

A10/0037

Contents

Vhi Healthcare is exclusively committed to providing the healthcare services that our customers need today and into the future.

It's this dedication that makes us **100% healthcare**.

Company Details

Main Bankers
AIB Bank plc
Bank of Ireland

Auditors
Deloitte & Touche

Solicitors
McCann Fitzgerald

Consulting Actuaries
Watson Wyatt LLP

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Monday-Friday

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Galway
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Fax: 091 564307

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Udaras na Gaeltachta
Gaoth Dobhair
Co. Donegal

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Gardner House
Charlotte Quay

Fax: 061 310361

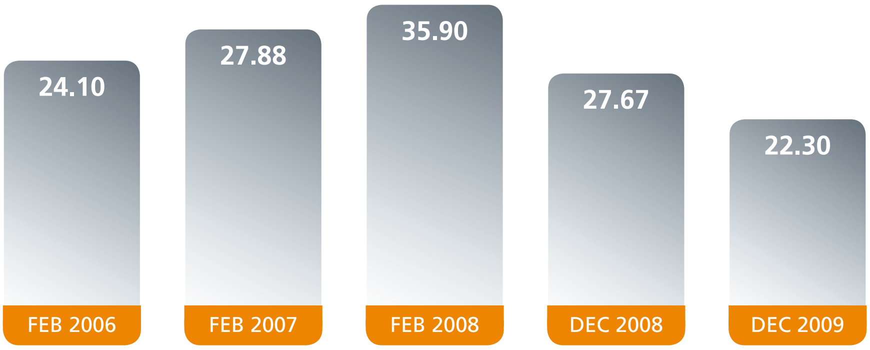
www.vhi.ie

Operational Statistics

Private Hospital Procedures 2004-2009

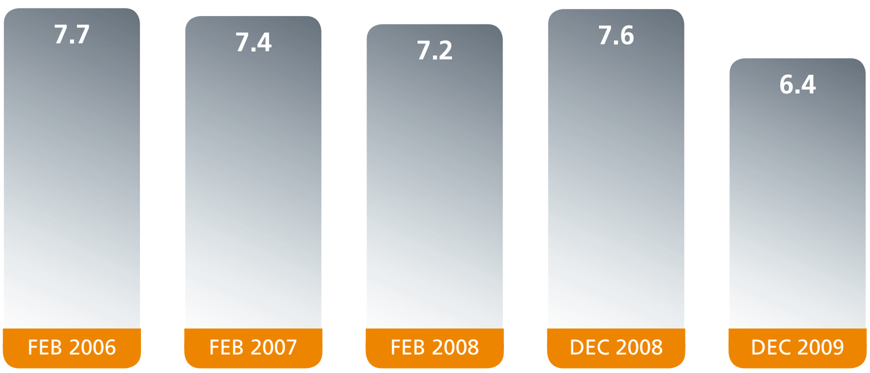
Private hospitals/facilities will deliver 70% of our customers' healthcare needs in 2010. Actual procedure costs will be lower in 2010. Demand for services is expected to increase by at least 9%.

Solvency Margin Level %



The solvency margin level is currently at 22.3%.

Operating Expenses as % of Earned Income



Board of Directors

Bernard Collins
Chairman

Bernard Collins is Chief Executive Officer of Lifemed Consulting Limited. Mr Collins received a BA Honours in Applied Industrial Psychology/Business from University College Cork, Ireland. Mr Collins maintains positions at board level on many other companies in Ireland and in the USA. He served for 10 years as Vice President of International Operations at Boston Scientific Corporation until 2003.*

Jimmy Tolan BComm FCA
Chief Executive

Jimmy Tolan joined Vhi Healthcare as Chief Executive in May 2008. Mr Tolan was Chief Executive Officer of Fyffes plc since January 2007 and managed Fyffes acquisition function since 1993. Jimmy Tolan is a qualified accountant, having trained with KPMG. He has a BComm Degree and a Diploma in Professional Accounting from University College Dublin.

David Went

Mr David Went was Group Chief Executive of Irish Life & Permanent plc from 1998-2007, Chief Executive of the Coutts Group from 1994-1997 and prior to that Chief Executive of Ulster Bank Group 1987 to 1994 having joined Ulster Bank in 1976. Mr Went spent six years with Citibank 1970-1976 in Dublin and Jeddah. He is currently Chairman of the Irish Times Ltd, Chairman, Trinity Foundation and Director, Goldman Sachs Bank Europe. Mr Went holds a BA (Mod) Legal Science LLB from Trinity College and also graduated from Kings' Inns as a Barrister at Law.

Liam Twohig BComm FCA

Senior Partner, Baker Tilly Ryan Glennon, Business Partners and Accountants, Past President, German-Irish Chamber of Industry and Commerce.[#]

Jim Kelly

Director, KBC Asset Management; Director, KBC Bank Ireland plc; Fellow, Pensions Management Institute; Former Chief Executive, Mercer Human Resource Consulting; Founder Director, Pension & Investment Consultants Ltd.; Former Chairman, Retirement Planning Council of Ireland.*

Baroness Neuberger DBE

Liberal Democrat member, House of Lords; Trustee, Booker Prize Foundation; Trustee, Walter & Liesel Schwab Charitable Trust; Chair, Commission on the Future of Volunteering; President, Liberal Judaism; Author of *The Moral State We're In*, a study of morality and public policy in modern Britain and *Not Dead Yet* – a manifesto for old age.

Former Chief Executive, King's Fund; Honorary Fellowships from Royal College of Physicians, Royal College of Psychiatrists and Royal College of General Practitioners; Former Rabbi, South London Liberal Synagogue; Chair, One Housing Group and also Chair, Responsible Gambling Strategy Board; Chair, Advisory Panel on Judicial Diversity.

Cathal Magee BA MGT MSC

Cathal is a former Executive Director of Eircom Ltd and was a member of the Executive team in Eircom from 1995. He was appointed Managing Director of Eircom Retail in 2002 and served in that role until February of this year. Prior to joining Eircom he worked for the National Australian Bank in the United Kingdom. Other directorships include: ESB Building Society, CMJ Consulting and Management Services, Glencree Centre for Peace and Reconciliation.[#]

Humphrey Murphy

Chairman, Hygienic Stainless Steels Ltd UK; Member of Governing Body University College Cork 1997 to date; Chairman of UCC Audit Committee 2003-to date; Director of Cork Airport Authority.*

Karen Hickey-Dwyer FRIAI

Ms Hickey-Dwyer is currently a Partner with Ivor Fitzpatrick & Company Solicitors, specialising in healthcare, family law, clinical negligence and insurance litigation. She was admitted to the Rolls of the Incorporate Law Society of Ireland in 1998. Member, Dublin Solicitors Bar Association; Member, Family Lawyers Association; Member, Law Society of Ireland; Member, Association of Personal Injury Lawyers; and Member, International Bar Association.

Declan Moran

Declan Moran is currently Director of Marketing and Business Development at Vhi Healthcare. He has a BSc in Computer Science and is a Fellow of the Institute of Actuaries since 1994. He joined Vhi Healthcare in 1997 from the life and pensions industry and was appointed to the Vhi Board of Directors in 2008. He is responsible for the management of Vhi Healthcare's product portfolio, development of new products and services and provision of actuarial expertise within the organisation.

Gillian Bowler FMII FMgt

Chairman, Irish Life & Permanent, Plc., Non-Executive Director, Grafton Group; Board Member, Michael Smurfit Graduate School of Business, UCD.*

Christy Cooney (Criostóir Ó Cuana)

Master of Education; GAA President (An-t-Uachtarán).[#]

([#]) denotes Member of Audit Committee

(*) denotes Member of Remuneration Committee

Bernard Collins
CHAIRMAN, VHI HEALTHCARE

Chairman's Review

Financial Results

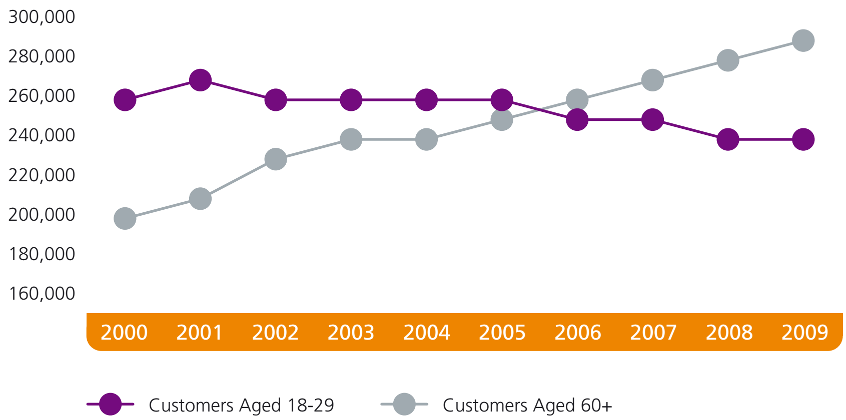
From both a financial and operating perspective 2009 turned out to be an extremely challenging and difficult year. Vhi Healthcare generated an overall deficit after tax of €41.7 million in 2009 notwithstanding a positive investment return. In addition, Vhi Healthcare finished the year with almost 120,000 fewer customers than it had at the start of the year and this level of customer losses has continued into 2010. The loss of customers is mainly due to the market environment which enables competitors to cherry pick younger, more profitable customers. Also the overall health insurance market declined in 2009 by almost 2% due to a general economic decline and a further decline is anticipated for 2010. The Operations Review deals with the financial and business performance of Vhi Healthcare in greater detail.

Vhi Healthcare's Legal Obligations

Given the environment in which it operates Vhi Healthcare has to ensure it is sustainable by fully adapting its business to the economic, regulatory and competitive environment.

Vhi Healthcare has received legal advice that its income must match its expenditure in 2011 and therefore is reviewing all its options to ensure it meets this legal obligation. Whilst this review is not yet complete, it is certain that, unless older health insurance customers are fully protected by the Government in 2011 by significantly increasing the age related tax relief at source, Vhi will have no choice but to significantly adjust its product and pricing architecture in order to meet its legal obligations and ensure it is sustainable. Given the critical importance of this issue Vhi Healthcare very much welcomes the commitment by the Taoiseach and Minister for Health and Children on the 27th May 2010 that older members of society who purchase health insurance will be fully protected through a series of robust mechanisms which will include the current age related tax relief system, a new transitional arrangement effective from 1st January 2012 and finally a new risk equalisation scheme. A significant increase in the age related tax relief at source would also encourage competition for all age groups and eliminate cherry-picking by our competitors. Vhi Healthcare is currently a not-for-profit organisation but we have to generate a modest surplus in order to be sustainable and ensure we can continue to fund our customers' current and future healthcare needs.

Vhi Membership Numbers 2000-2009



Financial Regulation

Achieving financial regulation is very important for Vhi Healthcare. It will allow us to grow the business, diversify our product range to the benefit of all our customers and also to comply with the requirements of the Voluntary Health Insurance (Amendment) Act 2008. Currently, Vhi Healthcare requires a solvency ratio of 40% to satisfy the requirements of the Financial Regulator. Vhi very much welcomes, and is appreciative of, the Government commitment to provide the additional capital to Vhi Healthcare to enable it to achieve Financial Regulation. Apart from ensuring that the solvency ratio is met, Vhi Healthcare will also need to be in a position to satisfy both the European Commission and the Financial Regulator that it has a sustainable business which will require Vhi Healthcare to generate a net underwriting margin of 3% to 4% in 2012.

Market Forces are Ending Community Rating

It is very clear that Community Rating is being overwhelmed by market forces which has resulted in very significant competition for profitable younger lives and corporate schemes and no competition for loss-making older health insurance customers. This competition will end Community Rating if it is not addressed. Notwithstanding the loss of almost 120,000 customers in 2009, Vhi Healthcare ended the year with more customers over the age of sixty than at the start of the year. Vhi Healthcare is losing €170 million in meeting the healthcare needs of its older customers and the current levy/age related tax relief system is only 40% effective which means that those insurers with older customers are inadequately compensated for meeting older people's healthcare needs. Healthcare is primarily age related particularly in critical areas such as cancer, cardiac, chronic conditions and orthopaedic care and an 80 year old customer's healthcare costs are on average ten times the level of a 25 year old. The current market environment encourages new entrants to pursue younger customers as they are highly profitable while avoiding insuring older members of society as they are significantly loss making. While our competitors have a market share of well in excess of 40% of younger health insurance customers they currently have a less than 5% market share of customers over the age of eighty and an 8%-10% share market of customers between the age of seventy and eighty. All our competitors' marketing, pricing and product design strategies are clearly focused on younger lives and all competition is focused on this part of the market as this is how markets and competition behave in a regulatory environment which does not adequately protect older members of society. The graph "Vhi Membership 2000-2009" clearly illustrates that there is no competition for older customers and intense competition for younger customers.

Managing the Healthcare Needs of our Customers

Vhi Healthcare has stated that, over the medium-term, it will devote significantly greater resources to prevention, chronic disease management, care within the community and also the management of our customers' well being. During the last year we have taken significant and tangible steps in this regard. We have introduced a comprehensive range of screening programmes in the areas of Type II Diabetes and cardiovascular risk status. By the end of 2010 screening centres will be up and running and many of our health insurance plans will contain additional screening benefits for our customers.

Illness prevention and chronic disease management programmes are central to our overall strategy. By introducing proactive initiatives such as the Diabetes/Cardiovascular Screening programmes we will be able to more directly intervene and will have a positive influence and impact on our customers' long-term healthcare. This will help to ensure that people will stay healthier for longer, which will positively impact on healthcare costs in the longer term and will mean that Vhi membership will always remain relevant to their lives. We are also developing a colon cancer screening programme and intend to initially screen 4,000 of our customers. We have also launched a hospital in the home service which will treat a number of medical conditions in a home setting initially in the Dublin area and we intend to launch a chronic disease management programme by the end of 2010.

Given that our customer base and Irish society will significantly age over the next fifteen years and with researchers stating that retirees will live on average with chronic health conditions for a period of over 7 years compared to the current 3.5 years it is imperative that we deliver additional value added services which reduces the need for hospitalisation in the years ahead and which manages our customers with chronic conditions healthcare needs in multiple settings.

Acknowledgments

While 2009 was a difficult and challenging year given the economic, competitive and regulatory challenges which faced the organisation it has also been a particularly busy year with the introduction of a wide range of new products and new schemes designed to help our customers through these difficult financial times. Further details will be provided in the operations review. However, I would like to record the appreciation and thanks of the Board of Directors to all employees for their efforts through the last year and also acknowledge the hard work of management and staff in continuing to come up with and provide innovative product solutions for our customers along with quality customer service.

I would also like to thank my fellow Board members and the members of our Advisory groups for their commitment and support during 2009.

Tribute

I would especially like to remember the contribution made by our staff member Ms Nicola Conway who passed away during the year at a very young age. Our sincere sympathy goes to her family, friends and colleagues in Vhi Healthcare Kilkenny.

Short and Medium-term Outlook

2010 is likely to be as challenging as 2009. The health insurance market is effectively becoming a risk rated market place with all competition focused on younger lives with very significant price gaps emerging between those products focused on younger lives and those focused on older members of society. The private health insurance market, and Vhi Healthcare customers in particular, will age significantly over the next 10 years. Older people are also expected to live for longer with a greater number of chronic conditions. These demographics are stark and consequently all healthcare organisations, be they public or private, will face very significant challenges in funding the medium-term healthcare needs of their older health insurance customers. If robust support mechanisms are not put in place for older members of society it is sadly inevitable that older customers will have to pay significantly more than younger customers for their health insurance. We do not believe that this is in society's best interest and the full implementation of the necessary support mechanisms arising from the commitment by the Taoiseach and Minister for Health & Children to fully protect older health insurance customers in 2011 and beyond is necessary as it will not be possible for Vhi Healthcare to continue to sustain losses of €170 million in meeting the healthcare needs of our older customers beyond 2010.

Bernard Collins
Chairman

Jimmy Tolan
CHIEF EXECUTIVE, VHI HEALTHCARE

Operations Review

The Chairman in his review has commented on the extremely difficult year which Vhi Healthcare has experienced in 2009. Vhi Healthcare lost almost 120,000 customers in 2009 and generated an after tax deficit of €41.7 million and we will not be able to sustain these levels of losses beyond 2010. Notwithstanding these serious challenges Vhi Healthcare remains financially strong with liquid financial assets of €705 million and retained reserves of €306 million which makes our balance sheet significantly stronger and more liquid than those of our competitors.

In 2009, Vhi Healthcare spent over €1.3 billion in funding the healthcare needs of our customers. This was up 14% on the previous year with over 50% spent meeting the healthcare needs of our older customers. In 2009, Vhi's average healthcare spend per customer was €900 which is twice the level of our market competitors and this healthcare funding gap between Vhi Healthcare and our competitors will continue to increase in the years ahead.

Age is the single greatest determinant of medical expenditure particularly in the critical areas of cancer care and cardiac care and also in areas such as orthopaedic care. For 2010 the key driver of increased healthcare costs will be the expected year on year growth in the healthcare needs of our customers – particularly our older customers.

Financial Results

The key financial results can be summarised as follows:

- Total earned premium for the twelve month period ended 31st December 2009 was €1.314 billion compared with €1.025 billion for the previous 10 months to December 2008.
- After tax results showed a net deficit of €41.7 million compared with €65 million deficit for the period ending December 2008. This deficit arose because Vhi Healthcare is paying out €117 million more than it received in premium income in meeting its customers' medical care needs. The deficit is reduced by gains on our investment portfolio of €27 million, age related tax relief (net of levy) of €30 million, the release of an unexpired risk reserve fund of €13 million as well as tax credits of €7 million.
- Claims paid in the period under review were €1.341 billion. The increase is due to a significant increase in the number of medical procedures being paid for on behalf of our customers.
- Vhi Healthcare's claims ratio, i.e. payment for medical care as a percentage of earned premium, came to 98.7%, which is significantly higher than our competitors which is below 80% and is 61% for Aviva Healthcare.

- The solvency ratio i.e. the ratio of free reserves to premium income currently stands at 22.3% down from 27.7% last year.
- Operating expenses as a % of earned premium for our health Insurance business is 6.4% down from 7.6% the previous year and this is significantly lower than our competitors.

Market Forces and Impact on Community Rating

The single biggest challenge facing Vhi Healthcare continues to be funding the growing healthcare needs of our older customers. In 2009, Vhi Healthcare lost over €170 million in meeting the healthcare needs of its customers over the age of 60. Ten years ago we had 185,000 customers over the age of 60, today we have 280,000 and ten years from now we are likely to have 370,000 customers over 60 years of age.

Against this backdrop, Vhi Healthcare believes that the current age related tax relief system will not protect older members of society who purchase health insurance and the market is becoming risk rated. The system is only 40% effective which means that older customers are significantly loss making. In international markets such as Germany, South Africa, Switzerland and Holland which maintain community rated systems they are at least 80% effective. The changes to the levy/age related tax relief system for 2010 have worsened our financial position by over €15 million as the additional levy which Vhi Healthcare will pay in 2010 will exceed the incremental age related tax relief which our older customers will receive.

In any Community Rated Health Insurance Market a comprehensive risk equalisation or an equivalent support mechanism such as sufficient age related tax reliefs are required in order that the market operates in the best interests of all consumers. For Community Rating to work it is necessary that the young cross subsidise the old and everyone within the same plan pays the same price irrespective of age or health status. However, without a robust mechanism to support older members of society, insuring older and sicker people becomes significantly loss making and any insurer focused on profits will avoid insuring these customers.

The current levy/age related tax relief system allows our competitors to remain focused on insuring younger lives, families and companies as they are highly profitable. Competition within these areas is intense but this means that margins are declining. The inevitable consequence of this form of competition is that older customers will pay significantly more as market forces put pressure on Community Rating and operate counter to the interests of the old and the sick. Under the current regulatory environment providing health insurance to people over the age of 60 years is significantly loss making and therefore no health insurer solely focused on profits will sell to customers who will lose them significant amounts of money. For example, the insurance policy on a 25 year-old can generate profits of circa €400 after the levy is taken into account, while an 80 year old can generate losses of €1,000 after taking the current age related tax relief into account.

As a result Vhi Healthcare covers a significantly greater proportion of older people and continues to be at a significant competitive disadvantage and our competitors continue to avoid insuring older people. This form of competition will sadly end Community Rating and older members of society will end up being charged significantly more than younger members of society for health insurance.

Funding our customers healthcare needs

In 2009, Vhi Healthcare spent €1.34 billion in funding the healthcare needs and medical expenses of our customers, up 14% on the previous year. In order to continue to meet customers' medical needs and to ensure continuity of care it was necessary to increase premiums for 2010 by an average of 8% – a figure significantly lower than the increases announced by our competitors which ranged from 16% to 20%.

The key drivers of expected future increased healthcare costs of our customers in the years ahead will be age and health status. There have been significant advances in technologies, new drugs and medical devices in the critical areas of cancer and cardiac care and these are having a positive impact on the quality of our customers' lives – however these medical advances come at a cost.

In terms of overall spend, cancer-related medical care remains the largest spend with almost €232 million paid out during 2009. Next highest spend involved the treatment for orthopaedic care including replacement knee and hip joints, fractures and back problems which amounted to €167.5 million followed by €163 million for heart and circulatory problems. Other areas of medical cost included €126.6 million for diseases of the digestive system, €66.2 million for mental healthcare and almost €53 million towards maternity care.

Cost Containment Initiatives

In 2010 Vhi Healthcare expects that over 70% of our customers' healthcare needs will be delivered within private facilities. Over the past five years the total number of medical procedures which Vhi Healthcare has paid for on behalf of customers in private facilities has increased from 293,000 procedures to 507,000 procedures which is an increase of 73% and although actual procedure costs will be lower in 2010 we expect our customers' healthcare needs to grow in 2010.

With the growing need for additional healthcare and given the need to keep customer premiums as affordable as possible we work continuously to manage rising medical costs. On an annual basis we engage in robust negotiations with all our providers to ensure that we secure the most cost effective contractual arrangements possible for our customers. In 2009 we reduced fees to medical consultants by 5% and have also negotiated a reduction in fees of 3% with private hospitals. These reductions have contributed to our efforts to keep premium increases to a minimum. We anticipate further cost reductions in the current year.

Also in common with every business we are constantly engaged in a range of cost containment initiatives right across the organisation to examine in detail our own cost base. As a result of measures taken in 2009 we have reduced our costs by some €12 million on an annual basis.

Vhi Healthcare's Path Back to Sustainability

Vhi Healthcare is required, under the legislation which governs it, to ensure that its income at least matches its expenditure in 2011 and subsequent years. It will require us to generate a net underwriting margin of 3% to 4% in 2012 in order to be sustainable and also meet the requirements of the European Commission and the Financial Regulator. The path back to sustainability is multi-faceted as it includes the need to manage the healthcare costs of our customers through robust negotiations with providers, together with strong internal cost control and may also involve significant changes in product and pricing architecture. The path back to sustainability also assumes that the Government will introduce, as previously announced, new robust mechanisms to protect older members of society as it is not possible for Vhi Healthcare to continue to generate losses of €170 million in meeting the healthcare needs of its older customers.

Special Investigations Unit (SIU)

In 2009 we announced details of our special Investigation unit and outlined how customers can contact the unit to report any suspected cases of provider billing errors or overcharging. We have proactively encouraged our customers to check their statements of benefit for accuracy and to highlight any concerns they may have about overcharging to the SIU.

While Vhi Healthcare has always had a claims investigation team, additional resources have now been invested in the SIU. As a result of the establishment and promotion of the SIU the volume of cases reported by customers has increased in the last six months of the year. This has led to savings for Vhi Healthcare's customers.

Managing the Wellbeing of our Customers

In the year under review Vhi Healthcare launched a number of initiatives that focus on improving the wellbeing of our customers. Our Wellness Strategy will be crucial to providing more relevance and added value to being a Vhi Healthcare customer in the future as we move from being not only a provider and procurer of hospital services but also a provider of illness prevention initiatives, focused diagnostic and screening services, chronic disease management, and care in the community services.

During the year:

- Our Vhi SwiftCare Clinics treated more than 60,000 minor injuries at our Clinics based in Dublin and Cork.
- We also commenced a pilot screening programme for type II diabetes and cardiovascular risk for over 4,000 customers in Dublin city. This pilot has proved so successful that we have extended the project to continue in 2010 and have opened a new screening centre in Cork and provide services in Limerick, Galway and Dublin. Our target is to have screened 30,000 people by 2011.
- NurseLine 24/7 celebrated 10 years of providing free medical advice to over 500,000 Vhi Healthcare customers.
- Vhi Homecare was launched to provide a unique hospital-in-the-home service to Vhi Healthcare's customers from mid February 2010.
- Plans are also in place to provide a colorectal cancer screening service later in 2010.
- We intend to launch a programme in relation to chronic disease management.

Apart from helping to identify those at risk and providing the opportunity for intervention, the pilot screening project, which screened over 4,000 customers last year, provides a very comprehensive piece of medical research that documents the current status of diabetes risk among a cohort of the Irish population and information on cardiovascular risk status in our population. This research will be invaluable in terms of long-term planning for future healthcare policy.

In the long-term we believe that our Wellness Strategy will pay dividends in many different ways. Financially, the strategy should result in real savings in the cost of managing our customers' long-term healthcare needs. It will enable us to identify those customers whose health is at risk, to deliver healthcare to our customers in multiple settings rather than solely in hospitals and, we will be able to more proactively manage the health of our customers with chronic conditions. But, perhaps most importantly of all, we will be better placed to improve the overall health status of our customers in the future and improve their healthcare outcomes.

Customer Contacts

As an organisation which places its primary focus on providing for the medical needs of our 1.4 million customers countrywide, Vhi Healthcare has for more than five decades built a reputation for excellence in customer service. Personal contact with our customers is something which has always been to the forefront of everything we do, and that is why we believe it important that our key activities such as customer contact centres, claims processing, and policy administration are based here in Ireland rather than outsourced.

Diversified Products

Vhi SwiftCare Clinics

The first Vhi SwiftCare Clinic was opened in Balally in Dundrum in November 2005. Some four years on Vhi SwiftCare Clinics have treated more than 200,000 patients and currently an average of 1,200 patients are treated each week.

MultiTrip from Vhi Healthcare

In the five years since the launch of our travel insurance product MultiTrip from Vhi Healthcare, more than 348,000 customers have taken out this cover which has established itself as the market leader in the multi-trip sector with a 35% share.

Global from Vhi Healthcare

Launched over a decade ago, our Global product – which provides expatriate health insurance to Irish citizens travelling, living or working abroad for more than six months – was the first diversified product introduced by Vhi Healthcare.

NurseLine 24/7 from Vhi Healthcare

Ireland's first dedicated medical helpline, NurseLine 24/7 celebrated ten years of service during 2009. During that time more than half a million calls were made by customers needing advice from our qualified Irish-based nurses on a variety of health and lifestyle issues. Every month more than 7,000 people on average call NurseLine for advice on a range of topics affecting child health, pregnancy, and, particularly in the latter part of the year, queries on swine flu (H1N1) prevention and symptoms.

Vhi DeCare Dental

Vhi DeCare Dental is Ireland's first and only stand-alone dental insurance product. Membership in 2009 held steady at 40,000 customers compared with the previous year. A new entry level product called Vhi DeCare Dental Starter was prepared and launched by early February 2010 and became available to the market from 1 April 2010. This product provides very broad level basic dental cover from as little as €10 per month and, with no waiting period to serve, new customers will be able to avail of the benefits straight away. This product greatly enhances the range of benefits available to customers in the PRSI sector given the changes in the 2009 budget.

Vhi Corporate Solutions

Our Vhi Corporate Solutions team offer high-quality services on a range of employee health and well-being issues to over 200,000 individuals across a wide spectrum of industries. Because of the downturn, the predominant drivers of change in the workplace in 2009 were economic factors. This change took the form of redundancies, pay cuts, reduced working hours, changes to work practices, removal of benefits and pay freezes.

Human Resources

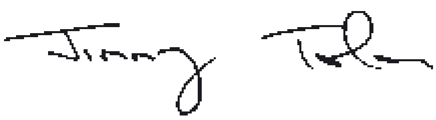
As an organisation which manages all of its own customer contacts, processes its own claims, administers its own member policies and manages its own relationships with corporate group schemes countrywide, Vhi Healthcare has invested heavily in the training and development of its employees. All of our employees are based in Ireland and the service which they provide to customers has been crucial to our business reputation and success in the past and will continue to be a key differentiator between ourselves and competitors in the years ahead. At the end of December 2009 we employed 888 (full time equivalent) people spread across eight locations throughout Ireland.

Sponsorships

During October 2009 Vhi Healthcare was delighted to partner with the Irish Cancer Society and Action Breast Cancer by sponsoring Breast Cancer Awareness Month and Pink Ribbon Day 2009. Vhi Healthcare also continued its highly successful partnership with the GAA by hosting the Vhi GAA Cúl Camps to provide fun and tuition in hurling, football and camogie for some 82,500 children nationwide throughout the summer.

Outlook – 2010

We expect 2010 to be another very challenging year. In relation to protecting older members, we very much welcome the commitment – announced on May 27th 2010 – from the Taoiseach and the Minister for Health and Children in this regard. We believe the Government is fully committed to the principle of Community Rating but market forces are overwhelming the current support mechanism which is only 40% effective. Vhi Healthcare was created in 1957 and the principle of Community Rating was contained in the initial Act of the Oireachtas and therefore it is our profound wish that the Government successfully implements the necessary robust support mechanisms to fully protect older health insurance customers.



Jimmy Tolan
Chief Executive

Executive Management Team

Jimmy Tolan BComm, FCA
Chief Executive

Jimmy Tolan joined Vhi Healthcare as Chief Executive in May 2008. Mr Tolan was Chief Executive Officer of Fyffes plc since January 2007 and managed Fyffes acquisition function since 1993. Jimmy Tolan is a qualified accountant, having trained with KPMG. He has a BComm Degree and a Diploma in Professional Accounting from University College Dublin.

Willie Shannon BBS, FCA
Director – Finance

Willie Shannon is a graduate of TCD, having obtained his BBS in 1974 and qualified as a chartered accountant in 1977. He joined a large firm of insurance brokers in 1987 and was subsequently appointed Group Finance Director. He joined Vhi Healthcare as Director of Finance in 2002. He serves on several committees in the Institute of Chartered Accountants. He is also a past Chairman of the Finance Committee of the Insurance Institute of Ireland and Past President of the Financial Executives Association.

Michael Owens
Director – Human Resources

Michael Owens has a BA in industrial relations and is a Chartered Fellow of CIPD. He joined Vhi Healthcare in August 1999 and has over 29 years experience in human resources management in light engineering, paper and print, commercial retailing and insurance.

Dr Bernadette Carr MD, FRCPI, MPH, LFOM
Director – Medical

Bernadette Carr is a physician and epidemiologist with extensive clinical and research experience. A graduate of UCC, her qualifications include Fellowship in UCLA, Doctorate in Medicine TCD, Licentiate of Faculty of Occupational Medicine, Masters Public Health and Diploma in Practical Dermatology (Cardiff).

She was elected to Fellowship of the Royal College of Physicians in Ireland in 1996. Bernadette joined Vhi in 1994 as Medical Director and her responsibilities include: provider relations and contract negotiations; medical and healthcare development assessment.

Tony McSweeney
Director – Individual and Corporate Business

Tony McSweeney, a member of the Marketing Institute of Ireland and a Fellow of the Sales Institute of Ireland, joined Vhi Healthcare from the life and pensions industry in 1996. He is responsible for Customer Services, Customer Administration and Sales.

Declan Moran
Director – Marketing and Business Development

Declan Moran has a BSc in Computer Science and is a Fellow of the Institute of Actuaries since 1994. He joined Vhi Healthcare in 1997 from the life and pensions industry and was appointed to the Vhi Board of Directors in 2008. He is responsible for the management of Vhi Healthcare's product portfolio, development of new products and services and provision of actuarial expertise within the organisation.

John Creedon
Director – Claims

John Creedon has a BSc in Computer Applications from Dublin City University. He is responsible for the overall service, administration and payment of claims. John has held a number of senior positions within Vhi Healthcare prior to his appointment as a Director in 1996.

Margaret Molony
Director – Information Technology

Margaret Molony has over 22 years experience in Vhi Healthcare and is responsible for Information Technology Services in the organisation. Margaret joined Vhi Healthcare in 1986 and has held a number of senior positions within Vhi Healthcare prior to her current appointment in 2008.

Report of the Directors

The Directors have pleasure in submitting their 53rd Annual Report in accordance with Section 20 (1) of the Voluntary Health Insurance Act 1957. The Accounts of the Board and the related notes which form part of the Accounts are included in this report, and have been prepared in accordance with accounting standards generally accepted in Ireland and comply with the European Communities (Insurance Undertakings: Accounts) Regulations, 1996.

1. Principal Activities

The Voluntary Health Insurance Board is a statutory corporation established by the Voluntary Health Insurance Act 1957 and has as its objective the provision of a financing system for private healthcare, carried out on a mutual assistance basis.

2. Results

The results for the 12 months to 31 December 2009 are set out in the Income and Expenditure Account.

3. Business Review and Future Developments

A review of business transacted during the year, together with the Board's views of likely future developments is contained in the Chairman's Statement.

4. Directors' Responsibilities

The Directors are required to prepare accounts for each financial period, which give a true and fair view of the state of affairs of the Board and of the surplus or deficit of the Board for that period.

In preparing those accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume the Board will continue in business.

The Directors are responsible for keeping proper books of account, which disclose with reasonable accuracy at any time the financial position of the organisation and enable them to ensure that the accounts are prepared in accordance with accounting standards generally accepted in Ireland and comply with the European Communities (Insurance Undertakings: Accounts) Regulations 1996. They are also responsible for safeguarding the assets of the organisation and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

5. Corporate Governance

The Directors support the principles of Corporate Governance outlined in the Combined Code of Corporate Governance. The Financial Reporting Council revised the Combined Code on Corporate Governance in June 2008. While not itself a listed company, the Board has sought to comply with the provisions of the Code that are applicable and hence reports below on compliance throughout the year with the Code.

The Directors consider that the Board has in place the procedures to comply with the provisions laid out in section 1 of the Combined Code: Code of Corporate Governance and Code of Best Practice, except in respect of the appointment and terms of office of Directors, which are the responsibility of the Minister for Health and Children. For this reason, the Board does not have a Nomination Committee or a Senior Independent Director.

Board of Directors

The roles of Chairman and Chief Executive are separate. All non-executive Directors are appointed by the Minister for Health and Children for 5 year terms of office.

The Board meets at least seven times annually and has a formal schedule of matters specifically reserved to it for decision which includes approval of the overall strategic plan, annual budgets, annual report and accounts and major corporate activities. Board papers are sent to each member in sufficient time before meetings. Appropriate training and briefing is available to all Directors on appointment to the Board, with further training available subsequently, as required. The Board has also drawn up procedures for Directors to take independent professional advice. All Directors have access to the advice and services of the Secretary. The Board has Director's liability insurance cover in place. The Board has put in place a process for appraisal of its performance.

Attendance at Board Meetings held During the Financial Year

	BOARD	AUDIT	REMUNERATION
Bernard Collins*	7		4
Gillian Bowler	6		4
Humphrey Murphy	5		3
Liam Twohig**	5	4	
Christy Cooney	6	2	
Jim Kelly	7		4
Julia Neuberger	6		
Cathal Magee	4	3	
Karen Hickey-Dwyer	6		
David Went	7		
Jimmy Tolan	7		
Declan Moran	7		

* Chairman of the Remuneration Committee
** Chairman of the Audit Committee

The Board reviews the arrangements in place that allow employees to raise any concerns about possible wrongdoings in financial reporting or other matters. If required, it will ensure that appropriate investigation and follow-up action is taken.

Report of the Directors [continued]

Audit Committee

The Board has appointed an Audit Committee which is comprised of three non-Executive Directors. The Audit Committee meets at least four times a year and reviews the annual accounts, internal control and compliance matters and the effectiveness of internal and external audit. The members of the Audit Committee also address the issue of risk, the purpose of which is to ensure that appropriate risk management procedures and reporting protocols are in place. The Audit Committee makes recommendations to the Board in relation to the appointment of the external auditors and assesses their objectivity and independence. The external audit plan and findings from the audit of the financial statements are also reviewed. The main roles and responsibilities of the Audit Committee are set out in written terms of reference and are available on request.

The Audit Committee has a process in place to ensure the independence of the audit is not compromised, which includes monitoring the nature and extent of services provided by external auditors through its annual review of fees paid to the external auditors for audit and non-audit services.

Remuneration Committee

The Board has also appointed a Remuneration Committee comprising of the Chairman and three non-Executive Directors. This committee is responsible for recommending candidates for senior management appointments and remuneration policies.

Internal Control

The Board has given effect to the recommendations of Internal Control: Guidance for Directors on the Combined Code (The Turnbull Guidance) which was published in September 1999 and revised in 2005.

The Directors are responsible for the Board's system of internal control and for reviewing its effectiveness and meet this responsibility through regular meetings of the Audit Committee. They have assigned responsibility for the implementation of this system to Executive Management.

The system of internal control provides reasonable, but not absolute, assurance of the safeguarding of assets against unauthorised use or disposition and the maintenance of proper accounting records and the reliability of the information they produce, for both internal use and publication.

The key elements of the system are:

- formal policies, procedures and organisational structures are in place which support the maintenance of a strong control environment;
- the business strategy, planning and budgetary process includes analysis of the major business risks which affect the organisation. Risk assessment is a continuous process on which the Board places significant emphasis;
- a comprehensive set of management information and performance indicators is produced promptly on a monthly basis. This enables progress against longer term objectives and annual budgets to be monitored, trends to be evaluated and variances to be acted upon. Detailed budgets are prepared annually in the

context of longer term strategic plans and are updated regularly;

- accounting procedures are documented, transaction cycles are defined, accounting timetables are detailed, automated interfaces are controlled, review and reconciliation processes are carried out, duties are segregated and authorisation limits are checked. Experienced and qualified staff have been allocated responsibility for all major business functions;
- the Internal Audit function prepares an Internal Audit plan which is approved by the Audit Committee. Internal Audit reports to the Audit Committee on an ongoing basis.

Going Concern

The accounts of the Board have been prepared on a going concern basis and the Directors have satisfied themselves that the Board is a going concern, having adequate resources to continue in operational existence for the foreseeable future. In forming this view the Directors consider that it is appropriate to do so based on the Board's budget for 2010 and the medium-term plans of the Board. The Board has a statutory obligation to ensure that Vhi Healthcare generates sufficient funds in the private health insurance market to meet the needs of the business. In the absence of adequate regulatory reform the Board will be left with no option but to implement alternative strategies that will achieve its statutory obligations.

6. Directors' Remuneration

Annual remuneration levels for the Chairman and each non-executive Director have been set by Government at €21,600 and €12,600 respectively with effect from 1 May 2009 (previously €24,000 and €14,000 respectively). Non-executive Directors do not receive any other remuneration nor do they have any service agreements or contracts with the Board.

7. Principal Risks and Uncertainties

Irish company law now requires companies to give a description of the principal risks and uncertainties which they face. Notwithstanding that the Board is not subject to company law provisions, the Directors consider it sound corporate governance to provide such a description.

The principal risks facing the business are:

I. The continuing uncertainty over a sustainable mechanism to fully support the older members of society represents a major issue for the business. In July 2008 the Supreme Court decided that the Risk Equalisation scheme, previously activated by the Minister for Health and Children with effect from 1 January 2006, was invalid.

   In 2009 the Health Insurance (Miscellaneous Provisions) Amendment Act was introduced with as one of its stated objects the enhancement of intergenerational solidarity and community rated health insurance.

The Act introduced a scheme comprising a levy on private health insurance contracts to generate a fund to be used in the form of an Age-related Tax Relief at Source (ARTRS) towards the costs of insuring older people. The rates calculated (see table below) were designed specifically to compensate for only 50% of the risk, the consequence of this is that even after the benefit of the ARTRS, Vhi Healthcare has incurred a loss of €170m in meeting the healthcare needs of our older customers (280,000 over 60 years of age). Clearly such levels of losses are unsustainable beyond 2010 and as noted above in the absence of regulatory reform the Board will be left with no option but to implement alternative strategies that will achieve its statutory obligations.

Furthermore the Act has been drafted on the basis of being an interim (three year) measure and there is no certainty as to what will happen after the three years have expired.

II. At the time of writing the Minister for Health and Children has requested that Vhi Healthcare be in a position to apply for a licence as an authorised insurer to the Financial Regulator by 1 January 2012. In assessing an application the Financial Regulator applies a number of tests, including, inter alia,

   a) the adequacy of the current solvency level
   b) the adequacy of the medium-term solvency position based on a 5 year pessimistic scenario.

   Vhi Healthcare will have to be sufficiently well capitalised to satisfy the Financial Regulator in a scenario where the interim measure is not replaced by a more permanent comprehensive mechanism and Vhi Healthcare will have to satisfy the Financial Regulator that it is sustainable.

III. The Voluntary Health Insurance (Amendment) Act 2008 gave additional commercial powers to Vhi Healthcare but these will apply only after it is approved and licensed by the Financial Regulator (see II above).

	LEVY		ARTRS		
	ACTUAL 2009	PROPOSED 2010	AGE ON RENEWAL	ACTUAL 2009	PROPOSED 2010
Per Child (under 18)	€53	€55	50 > 59	€200	€200
Per Adult	€160	€185	60 < 69	€500	€525
			70 < 79	€950	€975
			80+	€1,175	€1,250

IV. There are significant pressures on the cost of healthcare which have to be funded through increased premiums, which could result in a reduction in the take-up of private health insurance in the market. These cost drivers include:

- a significant increase in the availability of private bed capacity, because a characteristic of the healthcare market is that demand will expand to match supply;
- an ageing customer base whose medical needs will increase significantly in the years ahead;
- the development of expensive new drugs and technologies both for treatment and diagnostic procedures;
- higher expectations with regard to quality and access deriving from increased affluence and medical information; and
- medical inflation which, driven by technology, generally runs ahead of normal inflation.

Vhi Healthcare uses a number of key performance indicators throughout its various activities and the most significant are set out in the Annual Report.

8. Prompt Payment of Accounts

The Board acknowledges its responsibility for ensuring compliance with the provisions of the Prompt Payment of Accounts Act 1997 (as amended by the European Communities (late payment in commercial transactions) Regulations, 2002). Procedures have been put in place to identify the dates upon which invoices fall due for payment and for payments to be made on such dates, and accordingly, the Board is satisfied that the Voluntary Health Insurance Board has complied with the requirements of the Regulations.

9. Subsidiary and Associated Undertakings

The Board's subsidiary and other undertakings, as at 31 December 2009, are listed in note 24.

10. Books of Account

The Directors are responsible for ensuring that proper books of account are maintained by the Board and this has been achieved by the employment of appropriately qualified accounting personnel and by maintaining appropriate accounting systems. The books of account are located at the head office of the Board at Vhi House, Lower Abbey Street, Dublin 1.

11. Auditors

The auditors Deloitte & Touche, Chartered Accountants, continue in office in accordance with Section 19 (2) of the Voluntary Health Insurance Act 1957.

On behalf of the Board:

Bernard Collins
Chairman

Liam Twohig
Director

24 March 2010

Report of the Auditors

Independent Auditors' Report to the Directors of the Board of the Voluntary Health Insurance Board

We have audited the financial statements of Voluntary Health Insurance Board for the period ended 31 December 2009 which comprise of the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses, the statement of accounting policies and the related notes 1-25. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Directors of the Board of the Voluntary Health Insurance Board, in accordance with Section 19 of the Voluntary Health Insurance Act 1957. Our audit work has been undertaken so that we might state to the Directors those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board and the Directors as a body for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report, including as set out in the Statement of Directors' Responsibilities, the preparation of the financial statements in accordance with applicable law and accounting standards issued by the Accounting Standards Board and published by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland).

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

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, and are properly prepared in accordance with the European Communities (Insurance Undertakings: Accounts) Regulations, 1996.

We review whether the corporate governance statement reflects the Board's voluntary compliance with the nine provisions of the FRC Codes specified for our review and we report if it does not. We are not required to form an opinion on the effectiveness of the Board's corporate governance procedures or its internal controls.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatement or material inconsistencies with the financial statements. The other information comprises only the Director's Report, which includes the corporate governance statement, the Chairman's Statement, the Operations Review and the Comparative Results and Graphs. Our responsibilities do not extend to other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the Board, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us 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 our opinion we evaluated the overall adequacy of the presentation of information in the financial statements.

Emphasis of Matter – Risk Equalisation and Solvency Requirement

Without qualifying our opinion, we have considered the disclosures made in Notes 1 and 25 regarding the financial viability of the Board in the event that interim measure is not replaced with a permanent risk equalisation scheme and the requirement that the Board needs to be in a position to apply for an insurance licence from the Financial Regulator by 1 January 2012. The Board considers that in the absence of adequate regulatory reform the Board will be left with no option but to implement alternative strategies that will achieve its statutory obligations. In view of the significance of these uncertainties and their potential impact on the Board, we consider that these matters should be drawn to your attention.

Opinion

In our opinion the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland and the European Communities (Insurance Undertakings: Accounts) Regulations, 1996, of the state of the affairs of the company as at 31 December 2009 and of the deficit for the year then ended.

Deloitte & Touche
Chartered Accountants and Registered Auditors
Dublin

24 March 2010

Statement of Accounting Policies

Basis of Preparation

The accounts are prepared in accordance with accounting standards generally accepted in Ireland, the European Communities (Insurance Undertakings: Accounts) Regulations, 1996 and the Statement of Recommended Practice on Accounting for Insurance Business (SORP) as adopted by the Association of British Insurers.

The following are the principal accounting policies adopted:

Basis of Accounting

The accounts are prepared under the historical cost convention modified by the revaluation of investments.

The preparation of accounts in accordance with generally accepted accounting principles requires the exercise of judgement in the process of applying the Board's accounting policies. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the accounts, relate primarily to provisions for claims outstanding and unexpired risks, and are documented in the accounting policies below. The provisions for outstanding claims and unexpired risks are based on actuarial methods of calculation reviewed by the Board's consulting actuaries, Watson Wyatt LLP.

Premiums Written

Gross premiums written consist of the premium income receivable from members in respect of policies commencing in the financial year.

Unearned premiums represent the proportion of premiums written in the year that relate to the un-expired term of policies in force at the balance sheet date, calculated on a time apportionment basis.

Claims Incurred

Claims incurred comprise claims and related expenses paid during the year together with changes in provisions for outstanding claims, including provisions for the estimated cost of claims reported but not yet paid, claims incurred but not reported and related handling expenses.

The gross provision for claims represents the estimated liability arising from medical claims incurred in current and preceding financial years which have not yet given rise to claims paid. The provision includes an allowance for claims handling and expenses.

The claims provision is estimated based on best information available as well as subsequent information and events. Adjustments to the amount of claims provision for prior years are included in the income and expenditure account in the financial year in which the change is made.

Unexpired Risks

Provision is made, based on information available at the balance sheet date, for any estimated underwriting deficits related to unexpired risks after taking into account relevant investment return.

Prudent assumptions are made so that the provision should be sufficient in reasonably foreseeable adverse circumstances.

Deferred Taxation

Deferred taxation is provided on timing differences between the taxable surplus of the Board and its surplus as stated in the accounts. The provisions are made at the taxation rates which are expected to apply in the periods in which the timing differences are expected to reverse. Deferred tax assets are recognised to the extent that it is probable that they will be recovered.

Age-related Tax Relief and Health Insurance Levy

Age-related tax relief and Health Insurance Levy written consist of the amounts receivable/payable to the Revenue Commissioners in respect of policies commencing in the financial year.

Provision for un-earned/un-expensed credits/levy represents the proportion of credits/levy written in the year that relate to the unexpired term of policies in force at the balance sheet date, calculated on a time apportionment basis. The net benefit is recognised on an earned premium basis over the life of the policies and included as other technical income in the income and expenditure account.

Tangible Assets

Tangible assets are stated at cost less accumulated depreciation. Depreciation is calculated so as to write off the cost of the assets over their estimated useful lives on a straight line basis as follows:

Motor vehicles	4 years
Computer equipment	4 years
Software	4-6 years
Furniture, fittings and office equipment	5 years

Expenditure incurred on the development of computer systems which is substantial in amount and is considered to have an economic benefit to the Board lasting more than one year into the future is capitalised and depreciated over the period in which the economic benefits are expected to arise. This period is subject to a maximum of six years. In the event of uncertainty regarding its future economic benefit, the expenditure is charged to the Income and Expenditure account.

Investments

Investments held for trading, including listed securities, are stated at market value. Market value represents the bid price less accrued interest at the balance sheet date. Realised gains/losses on investment transactions are determined on an average cost basis and recorded in the Income and Expenditure account.

Statement of Accounting Policies [continued]

Investments, where the intention is to hold them to redemption date, including government and government guaranteed stocks, are stated at amortised cost over the period between date of purchase and redemption date.

Land and buildings are valued annually on an open market value basis. Valuations are made by independent professionally qualified valuers. All properties occupied by the Board are maintained in a continual state of sound repair. As a result, the directors consider that the economic lives and residual values of these properties are such that any depreciation is insignificant and is therefore not provided.

Impairment

Financial assets, other than those at market value, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Investment Income

Interest on fixed interest stocks and bank deposits is taken to include income as earned on a day-to-day basis. All income is accounted for on an accruals basis. Income from equities is included on the basis of dividends received during the financial year.

Investment Return

Operating results are reported on the basis of longer term investment return. The longer term investment return is calculated based on rates which are reviewed annually and reflect both historical experience and the directors' current expectations for investment returns. The short-term fluctuation in investment return, representing the difference between the longer term return and the actual return, is incorporated in arriving at surplus/(deficit) before taxation.

The allocation of investment return from the non-technical account to the technical account is based on the longer term return on investments attributable to the insurance business.

Retirement Benefits

The cost of providing benefits and the liabilities of defined benefit plans are determined, using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date.

Current service cost, interest cost and return on scheme assets are recognised in the income and expenditure account. Actuarial gains and losses are recognised in the statement of total recognised gains and losses. Past service cost is recognised immediately. The net surplus or deficit on the defined benefit pension scheme is recognised, net of deferred taxation, on the balance sheet.

In addition, the Board also provides benefits to certain retirees in respect of health insurance cover, which are unfunded. The Board's obligation in respect of these benefits is measured using the projected unit credit method and is discounted to present value, with actuarial valuations carried out at each balance sheet date. The full amount of the Board's obligation is recognised on the balance sheet and the charge for the year is included in the income and expenditure account.

Deferred Acquisition Costs

The costs incurred during the financial year that are directly attributable to the acquisition of new business are expensed in the same accounting period as the premiums to which they relate are earned. All other acquisition costs are recognised as an expense when incurred.

Subsequent to initial recognition, these costs are deferred commensurate with the unearned premiums provision. In other words, the amount that has been deferred is the proportion of the total acquisition costs which the unearned premiums provision bears to gross written premiums. Amortisation is recorded in the income and expenditure account.

Deferred acquisition costs are reviewed at the end of each reporting period and are written-off where they are no longer considered to be recoverable from expected future margins.

Income and Expenditure Account

Technical Account: Health Insurance

	Notes	YEAR ENDED DEC-2009 €m	10 MONTHS TO DEC-2008 €m
Continuing Activities			
Earned Premium:	2		
Gross premiums written		1,350.6	900.1
Change in the gross provision for unearned premiums		(37.0)	125.3
		1,313.6	1,025.4
Allocated investment return transferred from the non-technical account		25.1	34.7
		1,338.7	1,060.1
Other technical income:			
Age-related tax credits/levy	3	29.8	–
Claims incurred:			
Claims paid		(1,340.5)	(981.4)
Change in the provision for claims		1.5	22.5
		(1,339.0)	(958.9)
Change in other technical provisions:			
Unexpired risk reserve	4	13.1	(13.1)
Net operating expenses	5	(92.4)	(84.7)
Balance on the health insurance technical account		**(49.8)**	3.4

Non-Technical Account: Health Insurance

	Notes	YEAR ENDED DEC-2009 €m	10 MONTHS TO DEC-2008 €m
Continuing Activities			
Balance on the health insurance technical account		**(49.8)**	3.4
Longer term investment return	6	25.1	34.7
Allocated investment return transferred to the health insurance technical account		(25.1)	(34.7)
Operating surplus		(49.8)	3.4
Short-term fluctuations in investment return	6	1.6	(77.2)
Deficit on ordinary activities before taxation		**(48.2)**	(73.8)
Taxation on ordinary activities	7	6.5	8.8
Deficit on ordinary activities after taxation carried to reserves	8	**(41.7)**	(65.0)

The accounts were approved by the Board on 24 March 2010, and signed on its behalf by:

Bernard Collins
Chairman

Liam Twohig
Director

Balance Sheet

Assets

	Notes	DEC-2009 €m	DEC-2008 €m
Investments			
Land and buildings	*9*	28.7	40.7
Other financial investments	*10*	704.9	736.3
Debtors			
Debtors from members arising out of insurance operations		413.7	384.8
Other debtors	*11*	140.0	6.6
Other Assets			
Tangible assets	*12*	35.5	46.7
Deferred taxation	*13*	8.3	1.8
Prepayments and accrued income			
Prepayments		1.9	1.4
Accrued interest		10.6	8.2
Deferred acquisition costs	*14*	9.1	9.0
Total Assets		**1,352.7**	**1,235.5**

Liabilities

	Notes	DEC-2009 €m	DEC-2008 €m
Reserves			
General reserve		306.5	337.9
Technical provisions			
Provision for unearned premiums		486.7	449.7
Claims outstanding		309.2	310.7
Other technical provisions	*4*	–	13.1
Creditors			
Creditors to members arising out of insurance operations		40.7	40.8
Other creditors and accruals	*15*	153.3	20.0
Bank overdraft		17.9	13.6
Retirement Benefits Liability	*16*	38.4	49.7
Total Liabilities		**1,352.7**	**1,235.5**

The accounts were approved by the Board on 24 March 2010, and signed on its behalf by:

Bernard Collins
Chairman

Liam Twohig
Director

Cash Flow Statement

	Notes	YEAR ENDED DEC-2009 €m	10 MONTHS TO DEC-2008 €m
Net cash outflow from operating activities	*17*	(45.6)	(50.2)
Taxation		–	(2.2)
Capital expenditure		(3.4)	(17.3)
		(49.0)	(69.7)
Cash flows were invested as follows:			
Decrease in cash holdings		(4.3)	(11.9)
Net portfolio reduction	*18 & 20*	(44.7)	(57.8)
Net reduction of cash flows	*19*	**(49.0)**	(69.7)

Statement of Total Recognised Gains and Losses

	Notes	YEAR ENDED DEC-2009 €m	10 MONTHS TO DEC-2008 €m
Deficit for the financial period		(41.7)	(65.0)
Actuarial gain/(loss) on pension fund	*16*	10.3	(19.6)
Total recognised losses relating to the period		**(31.4)**	(84.6)
Prior year adjustment		–	7.4
Total recognised losses since last report		**(31.4)**	(77.2)

Notes to the Accounts

1. Going Concern

The accounts of the Board have been prepared on a going concern basis and, the Directors have satisfied themselves that the Board is a going concern, having adequate resources to continue in operational existence for the foreseeable future. In forming this view the Directors consider that it is appropriate to do so based on the Board's budget for 2010 and the medium-term plans of the Board. The Board has a statutory obligation to ensure that Vhi Healthcare generates sufficient funds in the private health insurance market to meet the needs of the business. In the absence of adequate regulatory reform the Board will be left with no option but to implement alternative strategies that will achieve its statutory obligations.

2. Earned Premium

The insurance business of the Board is substantially health insurance and earned premium relates mainly to this class of business. Income from ancillary products is €17.6m. All business written is in the Republic of Ireland.

3. Age-related Tax Relief and Health Insurance Levy

In 2009 the Health Insurance (Miscellaneous Provisions) Amendment Act was introduced with as one of its stated objects the enhancement of intergenerational solidarity and community rated health insurance.

The Act introduced an interim scheme (3 years from 1 January 2009) comprising a levy on private health insurance contracts to generate a fund to be used in the form of an Age-related Tax Relief at Source (ARTRS) towards the costs of insuring older people.

Age-related Tax Relief at Source

Under the terms of the Act, the rates applicable for 2009 in respect of additional tax relief at source were as follows:

Customers aged between:	50-59:	€200	60-69:	€500
	70-79:	€950	80+:	€1,175

The age-related tax relief is earned over the term of the policy. At 31 December 2009 the value of unearned tax relief was €81m.

Health Insurance Levy

Under the terms of the Act, a Levy of €160 per adult and €53 per child by way of stamp duty is payable on renewal or inception of a private health insurance policy. Although the levy is payable in full on renewal or inception of the policy it is expensed over the life of the policy and at 31 December 2009, the unexpired portion of the levy amounted to €69.9m.

The net amount recognised in the income and expenditure account was €29.8m (age tax relief €161.6m less levy €131.8m). See note 25 which outlines the need for a more permanent solution.

4. Other Technical Provisions

Each year the Board assesses whether it will incur losses on the unexpired element of existing contracts or on contracts that it is obliged to incept or renew. The estimate of these losses is based on a model using appropriate actuarial practice standards. The principal uncertainty relates to the cost and volume of future claims. The amount provided at December 2009 is €Nil (December 2008: €13.1m).

5. Net Operating Expenses

	YEAR ENDED DEC-2009 €m	10 MONTHS TO DEC-2008 €m
Administrative expenses	67.1	65.6
Acquisition costs	25.4	18.0
Deferred acquisition costs	(0.1)	1.1
	92.4	84.7

Core Health Insurance costs included in net operating expenses amount to €84.7m and the remaining €7.7m relate to ancilliary products.

	YEAR ENDED DEC-2009	10 MONTHS TO DEC-2008
The average number of persons, including part time employees, employed by the Board was:	907	913

	YEAR ENDED DEC-2009 €m	10 MONTHS TO DEC-2008 €m
Staff costs were:		
Wages and salaries	47.2	41.0
Social security costs	4.8	4.1
Retirement benefits	6.1	5.5

Total fees, including pension contribution, paid to the Chief Executive and included in net operating expenses in the year to December 2009 amounted to €412,003, (8 months ended 31 December 2008 €274,997).

6. Investment Return

(a) Longer Term Investment Return

The rates of investment return underlying the calculation of the longer term investment return are set out below.

	YEAR ENDED DEC-2009 %	10 MONTHS TO DEC-2008 %
Land and buildings	7.1	7.5
Shares and other variable yield securities	8.1	8.5
Debt securities/fixed interest securities	3.2	3.8
Deposits with credit institutions	3.0	2.5

(b) Comparison of Longer Term Investment Return with Actual Return

	YEAR ENDED DEC-2009 €m	10 MONTHS TO DEC-2008 €m
Actual return:		
Income from land and buildings	0.2	0.1
Income from other investments	34.3	23.4
Losses on realisation of investments	(7.8)	(36.0)
Unrealised losses on land and buildings	(12.3)	(3.8)
Unrealised gains/(losses) on investments held to maturity	2.1	(9.4)
Unrealised gains/(losses) on investments held for trading	11.2	(15.7)
Investment management expenses	(1.0)	(1.0)
	26.7	(42.5)
Longer term investment return	25.1	34.7
Short-term fluctuations	**1.6**	(77.2)

A transfer of the full amount of the longer term investment return has been made from the non-technical account to the technical account on the basis that the reserves of the Board are lower than the solvency margin level required by the regulator and therefore all reserves are deemed to be in support of the technical provisions.

7. Taxation on Ordinary Activities

	YEAR ENDED DEC-2009 €m	10 MONTHS TO DEC-2008 €m
The taxation charge in the income and expenditure account comprises:		
Current taxation for year	–	6.6
Deferred taxation – credit	6.5	2.2
	6.5	8.8

Factors Affecting the Current Taxation Charge for the Financial Period

The current taxation for the financial period is calculated at a rate different to the standard rate of corporation tax in Ireland of 12.5% (December 2008: 12.5%).

The differences are explained below:

	YEAR ENDED DEC-2009 €m	10 MONTHS TO DEC-2008 €m
Deficit on ordinary activities before taxation	(48.2)	(73.8)
Deficit on ordinary activities multiplied by standard rate of corporation taxation of 12.5% (2008: 12.5%)	6.0	9.2
Effects of:		
Expenses not allowed for taxation purposes	0.5	(1.5)
Losses carried forward	(6.2)	–
Capital allowances in excess of depreciation for period	(0.3)	(1.1)
Current taxation for financial period	0.0	6.6

8. Deficit on Ordinary Activities after Taxation Carried to Reserves

	YEAR ENDED DEC-2009 €m	10 MONTHS TO DEC-2008 €m
The deficit for the financial period is stated after charging:		
Depreciation of tangible fixed assets	14.4	8.8
Board remuneration (inclusive of €9,803 expenses (December 2008 €11,987))	0.9	1.1
Auditors remuneration		
Audit fee	0.1	0.1
Other statutory return fees	0.2	0.0
Non-audit fees	0.2	0.0

9. Land and Buildings

	DEC-2009 €m	DEC-2008 €m
Valuation:		
At 1 January	40.7	44.5
Additions	0.3	0.0
Loss on revaluation	(12.3)	(3.8)
At end of year	**28.7**	**40.7**

Land and buildings included above are occupied by the Board for its own activities and are mainly freehold.

Land and buildings were valued at 31 December 2009 at open market value in accordance with Royal Institute of Chartered Surveyors (RICS) appraisal and valuation standards. These valuations were made by external valuers Thorntons Chartered Surveyors, Hamilton Osborne King, DTZ Sherry Fitzgerald and O'Keeffe Auctioneers.

If the land and buildings had not been revalued they would have been included at the following amounts which represent the lower of cost or net realisable value.

	DEC-2009 €m	DEC-2008 €m
Opening cost	19.5	19.5
Additions	0.3	–
Closing cost	**19.8**	19.5

10. Other Financial Investments

	DEC-2009 MARKET VALUE €m	DEC-2009 COST €m	DEC-2008 MARKET VALUE €m	DEC-2008 COST €m
Held for Trading				
Shares and other variable yield securities	37.0	37.1	152.1	165.6
Debt securities/fixed interest securities	95.9	94.8	136.8	133.8
Other investments	1.9	4.0	1.6	3.4
Deposits with credit institutions	28.6	28.6	9.1	9.1
	163.4	164.5	299.6	311.9
	AMORTISED COST	**COST**	**AMORTISED COST**	**COST**
Held to maturity				
Debt securities/fixed interest securities	541.5	549.5	436.7	446.7
	704.9	**714.0**	736.3	758.6

11. Other Debtors

	DEC-2009 €m	DEC-2008 €m
Corporation tax	5.9	5.9
Age-related tax relief/Levy	133.3	–
Other debtors	0.8	0.7
	140.0	6.6

12. Tangible Assets

	MOTOR VEHICLES €m	FIXTURES, FURNISHINGS AND FITTINGS €m	COMPUTER/ OFFICE EQUIPMENT & SOFTWARE €m	TOTAL €m
Cost				
At 1 January 2009	2.2	8.0	99.2	109.4
Additions	0.3	0.6	2.4	3.3
Disposals	(0.4)	–	(13.5)	(13.9)
At 31 December 2009	**2.1**	**8.6**	**88.1**	**98.8**
Depreciation				
At 1 January 2009	(1.4)	(6.6)	(54.7)	(62.7)
Charge for the financial period	(0.5)	(0.8)	(13.1)	(14.4)
Eliminated in respect of disposals	0.4	–	13.4	13.8
At 31 December 2009	**(1.5)**	**(7.4)**	**(54.4)**	**(63.3)**
Net book value at 31 December 2009	**0.6**	**1.2**	**33.7**	**35.5**
Net book value at 31 December 2008	0.8	1.4	44.5	46.7

13. Deferred Taxation Asset

An asset has been recognised in respect of deferred taxation for the following timing differences:

	DEC-2009 €m	DEC-2008 €m
Unrealised (gain)/loss on investment valuation	(0.2)	1.5
Trading losses carried forward	6.2	–
Other timing differences	2.3	0.3
Total deferred taxation asset	**8.3**	1.8

14. Deferred Acquisition Costs

Acquisition costs are expensed as the premiums to which they relate are earned.

The amount of €9.1m provided for at 31 December 2009 (December 2008: €9.0m) is in respect of costs incurred during the financial year which are directly attributable to the acquisition of new business. All other acquisition costs are recognised as an expense when incurred.

15. Other Creditors and Accruals

	DEC-2009 €m	DEC-2008 €m
Age-related tax relief/Levy	140.3	–
PAYE and PRSI	1.2	1.3
Other creditors	1.0	3.2
Accruals	10.8	15.5
	153.3	20.0

16. Retirement Benefits

The Board operates a defined benefit pension scheme. The assets of the scheme are held in a separate trustee administered fund. In addition to pension entitlements, the Board also provides benefits to certain retirees in respect of health insurance cover. Retirement benefit costs and liabilities are determined by an independent qualified actuary, using the projected unit credit method of funding. The pension scheme is internally financed. The contributions to the scheme for the 12 months to December 2009 amounted to €7.0m (10 months to December 2008: €4.5m) and are now based on 16.5% of pensionable pay.

The values used in this disclosure are based on the most recent actuarial valuations, carried out at 31 December 2008 and updated to 31 December 2009. The amounts have been fully implemented in the accounts in accordance with the requirements of FRS 17: 'Retirement Benefits'.

The actuarial reports are available for inspection by members of the scheme but not for public inspection.

The major assumptions used in respect of the pension scheme are:

	DEC-2009 %	DEC-2008 %
Rate of increase in salaries	3.75	3.75
Rate of increase in pensions in payment	2.00	3.00
Discount rate	5.75	5.75
Inflation assumption	2.25	2.00

16. Retirement Benefits [continued]

Long-term expected rates of return at financial period end are:

	DEC-2009 %	DEC-2008 %
Equities	8.1	8.5
Fixed interest	3.2	3.8
Property	7.1	7.5
Other	6.1	2.5

Weighted average life expectancy for mortality tables used to determine benefit obligations at:

	DEC-2009	DEC-2008
Member age 65 (current life expectancy)	21.6	20.7
Member age 40 (life expectancy at age 65)	22.2	21.8

The assets in the pension scheme at market value were:

	DEC-2009 €m	DEC-2008 €m
Equities	68.0	51.5
Fixed interest	20.9	16.4
Property	3.0	4.8
Other	10.6	6.4
Total market value of assets	102.5	79.1
Present value of scheme liabilities	(128.5)	(120.2)
Deficit in the scheme	(26.0)	(41.1)
Unfunded health insurance premium provision	(17.9)	(15.7)
Net retirement benefits deficit	(43.9)	(56.8)
Related deferred tax asset	5.5	7.1
Net retirement benefit liability	**(38.4)**	(49.7)
Reserves		
Reserves excluding retirement benefits liability	344.9	387.6
Retirement benefits liability	(38.4)	(49.7)
Reserves after including retirement benefits liability	**306.5**	337.9

16. Retirement Benefits [continued]

Income and Expenditure Account

	YEAR ENDED DEC-2009 €m	10 MONTHS TO DEC-2008 €m
Charged to net operating expenses		
Current service cost	(2.8)	(3.9)
Death in service cost	(0.2)	(0.2)
Other retirement benefits	(0.8)	(0.7)
	(3.8)	(4.8)
Interest in scheme liabilities	(8.0)	(6.9)
Expected return on scheme assets	5.8	6.3
Net change in operating result	**(6.0)**	(5.4)

Statement of Total Recognised Gains and Losses

	DEC-2009	DEC-2008
Actual return less expected return on scheme assets	9.6	(47.3)
Experience gains and losses on scheme liabilities	5.6	(8.9)
Changes in demographic and financial assumptions	(3.3)	33.7
Actuarial gain/(loss)	11.9	(22.5)
Deferred tax	(1.6)	2.9
Total actuarial gain/(loss)	**10.3**	(19.6)

Movement in Net Deficit During the Financial Period

	DEC-2009	DEC-2008
Net deficit in scheme at start of year	(49.7)	(29.3)
Current service cost	(2.8)	(3.9)
Death in service cost	(0.2)	(0.2)
Contributions	7.0	4.5
Interest on scheme liabilities	(8.0)	(6.9)
Expected return on scheme assets	5.8	6.3
Actuarial gain/(loss)	11.9	(22.5)
Other retirement benefits	(0.8)	(0.7)
Deferred tax	(1.6)	3.0
Net deficit at end of financial period	**(38.4)**	(49.7)

16. Retirement Benefits [continued]

History of Experience Gains and Losses

	YEAR ENDED DEC-2009	10 MONTHS TO DEC-2008	YEAR ENDED FEB-2008	YEAR ENDED FEB-2007	YEAR ENDED FEB-2006
Difference between expected and actual return on assets	9.6	(47.3)	(14.3)	3.5	13.9
% of scheme assets	9%	(60%)	(12%)	3%	14%
Experience gains and losses on scheme liabilities	5.6	(8.9)	(2.5)	(4.7)	(11.6)
% of scheme liabilities	4%	(7%)	(2%)	(3%)	(9%)
Total actuarial (loss)/gain	10.3	(19.6)	3.1	1.2	(3.3)
% of scheme liabilities	8%	(16%)	2%	1%	(3%)

17. Reconciliation of Operating (Deficit)/Surplus to Net Cash Flow from Operating Activities

	YEAR ENDED DEC-2009 €m	10 MONTHS TO DEC-2008 €m
Deficit on ordinary activities before taxation	**(48.2)**	(73.9)
Depreciation charges	14.3	8.7
Retirement benefits	(1.0)	0.9
Unrealised (gains)/losses on investments	(1.0)	28.9
Increase/(decrease) in health insurance technical provisions	22.5	(123.3)
(Increase)/decrease in debtors from members arising out of insurance operations	(28.9)	118.7
Increase in debtors and prepayments	(136.5)	(0.2)
Increase/(decrease) in creditors and accruals	133.2	(10.0)
Net cash outflow from operating activities	**(45.6)**	(50.2)

Notes to the Accounts [continued]

18. Movement in Opening and Closing Portfolio Investments

	YEAR ENDED DEC-2009 €m	10 MONTHS TO DEC-2008 €m
Net cash outflow for the period	**(4.3)**	(11.9)
Portfolio investments	(44.7)	(57.8)
Movement arising from cash flows	(49.0)	(69.7)
Changes in market values	13.3	(25.1)
Total movement in portfolio	(35.7)	(94.8)
Portfolio investments and cash in hand at the start of period	722.7	817.5
Portfolio investments and cash in hand at the end of the period	**687.0**	722.7

19. Movement in Cash and Portfolio Investments

	AT 1 JANUARY 2009 €m	CASH FLOW €m	CHANGES TO MARKET VALUE €m	AT 31 DECEMBER 2009 €m
Cash at bank and in hand	(13.6)	(4.3)	0.0	(17.9)
Shares and other variable yield securities	152.1	(128.4)	13.3	37.0
Debt securities and other fixed interest securities held for trading	136.8	(39.1)	(1.8)	95.9
Debt securities and other fixed interest securities held to maturity	436.7	102.7	2.1	541.5
Other investments	1.6	0.6	(0.3)	1.9
Deposits with credit institutions	9.1	19.5	0.0	28.6
	722.7	**(49.0)**	**13.3**	**687.0**

20. Analysis of Cash Flows for Headings Netted in the Cash Flow Statement

	YEAR ENDED DEC-2009 €m	10 MONTHS TO DEC-2008 €m
Portfolio investments		
Purchase of shares and other variable yield securities	–	114.3
Purchase of debt securities/fixed interest securities	1,242.7	659.1
Purchase other investments	0.6	1.4
Purchase of deposits with credit institutions	1,250.9	830.4
Sale of shares and other variable yield securities	(163.9)	(176.9)
Sale of debt securities/fixed interest securities	(1,143.6)	(633.1)
Sale of deposits with credit institutions	(1,231.4)	(853.0)
Net cash outflow on portfolio investments	**(44.7)**	(57.8)

21. Capital Commitments

There were no significant capital commitments at the financial year end.

22. Related Party Transactions

In common with many other entities, the Voluntary Health Insurance Board deals in the normal course of business with other Government sponsored bodies under the common ownership of the Minister for Health and Children who has a role in appointing the Board Members.

Interests of Board Members and Secretary

The Board Members had no beneficial interest in the Voluntary Health Insurance Board or its subsidiary at any time during the year.

Notes to the Accounts [continued]

23. Prompt Payment of Accounts

Prompt Payment of Accounts Act 1997 (as amended by the European Communities (late payment in commercial transactions) Regulations, 2002).

Payments made during 2009 were governed by the above Act to combat late payments in commercial transactions. This Act applies to goods and services supplied to the Voluntary Health Insurance Board by EU based suppliers.

Statement of Payment Practices Including Standard Payment Periods

The Voluntary Health Insurance Board operates a policy of paying all undisputed supplier invoices within the agreed terms of payment. The standard terms specified in the standard purchase order are 30 days. Other payment terms may apply in cases where a separate contract is agreed with the supplier.

Compliance with the Directive

The Voluntary Health Insurance Board complies with the requirements of the legislation in respect of all supplier payments. Procedures and systems, including computerised systems have been modified to comply with the Directive. The procedures operated well during the year.

These procedures ensure reasonable but not absolute assurance against non-compliance.

24. Subsidiary and Associated Undertakings

Voluntary Health Insurance Board is the ultimate controlling entity and operates as Vhi Healthcare.

Vhi Healthcare set up a subsidiary company, Vhi Occupational Health Ltd, with effect from October 2008. This Irish registered company is located at Vhi House, Lower Abbey Street, Dublin 1. The company is 100% owned by Voluntary Health Insurance Board. The nature of operations in this company is the provision of Occupational Health Services.

Vhi Healthcare also set up an associated company, Vhi HomeCare Ltd, with effect from December 2009. This Irish registered company is located at 8, Orchard Business Centre, Citywest Business Campus, Dublin 24. The company is 50% owned by Voluntary Health Insurance Board. The nature of operations in this company is the provision of Home Infusion and related Services. It did not trade before 31 December, but commenced activities in February 2010.

Vhi Healthcare has a Joint Venture with Centric Health to operate four minor injury clinics under the name of Vhi Swiftcare.

25. Authorised Insurer Licence Requirement

The Minister for Health and Children has requested that Vhi Healthcare be in a position to apply for a licence as an authorised insurer to the Financial Regulator by 1 January 2012. In assessing an application, the Financial Regulator applies a number of tests, including, inter alia,

a) the adequacy of the current solvency level

b) the adequacy of the medium-term solvency position based on 5 year, pessimistic scenario as well as realistic and optimistic.

Vhi Healthcare's position in relation to the required solvency margin at 31 December 2009 is shown in the Comparative Results and Graphs section.

Vhi Healthcare will have to be sufficiently well capitalised to satisfy the Financial Regulator in a scenario where the interim measure (refer to note 3) is not replaced by a permanent comprehensive Risk Equalisation scheme.

Vhi Healthcare currently has a solvency level of 22.3%. The Financial Regulator requires a solvency level of 40%. In order to comply with these requirements, measures will need to be taken to achieve the required solvency position by the due date which will require additional capital and or other measures such as reinsurance and subordinated debt.

Comparative Results

Comparative Results

	AS RE-STATED				
	YEAR ENDED FEB-2006 €m	YEAR ENDED FEB-2007 €m	YEAR ENDED FEB-2008 €m	10 MONTHS TO DEC-2008 €m	YEAR ENDED DEC-2009 €m
Earned premium	919.6	1,020.1	1,153.0	1,025.4	**1,313.6**
Claims incurred	(890.6)	(930.7)	(1,005.0)	(958.9)	**(1,339.0)**
Age tax credit less Levy	–	–	–	–	**29.8**
Unexpired risks reserve	(1.3)	40.7	64.9	(13.1)	**13.1**
Operating expenses core	(69.9)	(74.0)	(81.8)	(77.5)	**(84.7)**
Operating expenses ancilliary products	(7.5)	(9.3)	(9.6)	(7.2)	**(7.7)**
Investment return	18.6	27.8	16.3	(42.5)	**26.7**
Taxation charge/(credit)	(0.1)	(5.1)	(18.2)	8.8	**6.5**
(Deficit)/surplus for the period	(31.2)	69.5	119.6	(65.0)	**(41.7)**
(Deficit)/surplus/Income Ratio	(3.4%)	6.8%	10.4%	(6.3%)	**(3.2%)**
Reserves	229.1	299.8	422.5	337.9	**306.5**
Minimum statutory solvency	175.9	196.1	214.6	224.6	**255.3**

Financial Ratios

	%	%	%	%	%
Solvency margin level	24.1	27.9	35.9	27.7	**22.3**
Claims (including URR & net age tax relief) as a % of earned premium	97.0	87.2	81.5	94.8	**98.7**
Operating expenses as % of earned premium – Health Insurance	7.7	7.4	7.2	7.6	**6.4**

Minimum solvency as shown above is calculated in accordance with the provisions of the 1976 EU Non-Life regulations, (as amended), with which Vhi Healthcare is not currently required to comply.

New solvency requirements for Insurance Undertakings will apply following the introduction of the new EU Solvency Directive, referred to as 'Solvency II'. This Directive is still being developed and it is not expected to be finalised and to become effective until 2012 at the earliest.

Gallery of Events 2009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1 Irish Cancer Society – Breast Cancer Awareness Month

The Irish Cancer Society's 2009 Breast Cancer Awareness Month campaign, in partnership with Vhi Healthcare, comprised of a month long national and regional radio, press and outdoor advertising campaign and a weekend of TV advertising. Pictured from left to right at the launch were Valerie Duignan, Dr Bernadette Carr, Medical Director, Vhi Healthcare, Klara Droog, Evie Fitzgibbon and TV presenter, Eileen Dunne.

2 Irish Cancer Society – Dare to Wear it Pink Day

Vhi Healthcare and the Irish Cancer Society called on businesses around Ireland to 'Dare to Wear it Pink' on Friday 23 October 2009. Businesses were asked to play their part by raising awareness and funds for Action Breast Cancer by wearing pink in the workplace on Friday 23 October. Grainne McCormack, Business Development and Tony McSweeney, Director Individual and Corporate Business, Vhi Healthcare helped launch the day.

3 Vhi Diabetes Screening

In October 2009, Vhi Healthcare announced results from a major pilot screening study on Diabetes for Vhi customers which showed that almost two in every three people tested, were at risk of developing Type II Diabetes. Photographed at the announcement were Dr Bernadette Carr, Medical Director, Vhi Healthcare with Dermot Lee and Terry Carter, both of whom were diagnosed with Diabetes as part of the screening programme.

4 Vhi DeCare Dental

The Tooth Fairy Poll, a survey of Vhi DeCare Dental members was undertaken in time for Dental Health Month which reported on how proactive parents were in relation to their children's dental care. Cian Kelly from Carlow participated in the photocall announcing the results of the Tooth Fairy Poll.

5 Special Investigation Unit

Vhi Healthcare called on customers to check their statements of benefit for accuracy following a claim. Jack O'Malley, Aoife O'Donovan and Michael O'Donovan are pictured at the launch encouraging customers to contact the Special Investigation Unit (SIU) to report any suspected cases of provider billing errors or overcharging.

6 Vhi GAA Cúl Camps

Over 82,500 children attended Vhi GAA Cúl Camps throughout the summer in almost every GAA club in the country. The initiative encourages primary school children between the ages of 7-13 to learn and develop sporting skills with an emphasis on fun and team-building activity. Twenty overseas GAA clubs participated this year with camps in the US, Canada and UK. At the Vhi GAA Cúl Camp in Rathnew, Wicklow player, John McGrath is pictured mentoring Shelley Carr Colbert and Billie Byrne in August 2009.

7 Vhi GAA Cúl Camps

World Handball champion, Paul Brady is pictured coaching Abbey Fee as brother Tony looks on at the Vhi GAA Cúl Camp, Cavan.

8 Vhi GAA Cúl Day Out in Croke Park

Over 288 children from all over the country were able to realise their dreams to train and play a match in the world-famous Croke Park stadium as part of the Vhi GAA Cúl Day Out. Cian Murphy, from Lissiuigeen, Killarney, Co. Kerry is pictured receiving his medal with Vhi GAA Cúl Camps Ambassadors Dublin footballer Ross McConnell, left, and Cavan footballer Nicholas Walsh.