Delivering quality innovative healthcare services to over 1,000,000 customers

Vhi Annual Report and Accounts 2015

CONTENTS

BOARD OF DIRECTORS

1. Liam Downey

Chairman

Liam Downey is a former Chief Executive Ireland of Becton Dickinson, a leading global medical technology company. He was Chairperson of the Health Service Executive, President of the Federation of Irish Employers, a trustee and member of the board of the Irish Business and Employers Confederation (IBEC), Chairman of the Medical Devices Association and a member of the Labour Relations Commission. He is a graduate of University College Dublin, a Chartered Member of the Institute of Personnel Development and a Fellow of the Irish Management Institute.

2. John O'Dwyer

Chief Executive

John O'Dwyer joined Vhi Healthcare from the international Dutch insurance group Achmea where he was the Chief Operating Officer and Executive Director with responsibility for the Life, General and Health businesses in their Greek company Interamerican, the second biggest insurer in Greece. John has an extensive track record in financial services and in particular the health insurance sector. Prior to his current role he held positions as Managing Director of Friends First Life Assurance, Director of Operations at BUPA Ireland and Assistant Chief Executive with responsibility for Claims in Vhi Healthcare. He was also non-executive Chairman of the Board of the National Treatment Purchase Fund.

3. Dr Ruth Barrington

Dr Ruth Barrington was Chief Executive, Molecular Medicine Ireland from 2007–2012; Chief Executive, Health Research Board, 1998–2007; and was Assistant Secretary, Department of Health with responsibility for hospital policy. A graduate of UCD (History and Politics) and the College of Europe, Belgium, she was awarded her Doctorate by the London School of Economics. Author of "Health, Medicine and Politics in Ireland 1900–1970", Dr Barrington has been both Governor and Chair of the Irish Times Trust; Board Director, Irish Times Ltd; and is currently Chair of the National Children's Research Centre; Chair of TREOIR; Director of the Children's Medical Research Foundation; and a Trustee of Genio.

4. Joyce Brennan

Joyce Brennan is an actuary with more than 25 years experience. She is an Executive Director with IPT, chairing boards of trustees of pension funds to ensure excellence in governance, decision making and ongoing management of pension plans. Previous roles include Director with KPMG and Principal at Mercer. Joyce has worked as advisor to the Health Insurance Authority and to the Department of Health on the regulation of private health insurance, and she has chaired the healthcare committee of the Society of Actuaries in Ireland. She has an MBA from UCD and is a Qualified Financial Advisor.

5. Seamus Creedon

Seamus Creedon is a qualified actuary and holds a number of non-executive director positions in life assurance, general insurance and reassurance companies in Ireland and the UK. He was a member of the insurance and reinsurance stakeholder group of the European Insurance and Occupational Pensions Authority until 2016. He was also a partner at KPMG, London where he led the actuarial practice and was Deputy Leader of its global actuarial practice. Prior to this he was Chief Executive of Lifetime, Bank of Ireland's Life Assurance Company and Head of Corporate Development Europe for Bank of Ireland.

6. Celine Fitzgerald

Celine Fitzgerald joined the Board in 2010, she is a management consultant providing services across a number of sectors. Between 2007 and 2012 she was CEO of an Irish-based, Business Process Outsourcing (BPO) company. She was recently appointed to the board of Ervia and has also held a number of senior roles in the telecommunications sector including Eircom and Vodafone.

7. Finbar Lennon

Finbar Lennon is a medical graduate of UCD and was awarded an M.Sc. in Experimental Surgery from the University of Alberta, Canada (1982). He was a consultant surgeon in Our Lady of Lourdes Hospital, Drogheda, 1983–2012. He was Medical Advisor to the North Eastern Health Board,1997–2004, and a part-time advisor to the Secretary General in the Department of Health, 2012–2014. He is currently an honorary lecturer in surgery in UCD and participates in the undergraduate teaching programme. He is also a member of the Professional Practice and Conduct committees of the Pharmaceutical Society of Ireland.

8. Declan Moran

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 Healthcare Board of Directors in 2008. From November 2011 to July 2012, he served as Acting Chief Executive, Vhi Healthcare. To date he has been responsible for the management of Vhi Healthcare's product portfolio and the development of new products and services.

9. Paul O'Faherty

Paul O'Faherty is an actuary and is a non-executive director of a number of companies in the financial services and investment areas. Until 2013 he was Chief Executive of Mercer Ireland and Chairman of Marsh McLennan Companies in Ireland. In his career as a consultant in Mercer, he advised the Department of Health for many years on health insurance matters. He is a Fellow and a past President of the Society of Actuaries in Ireland. He is also a past Chairman of the Irish Association of Pension Funds.

10. Greg Sparks

Greg Sparks is a former partner of RSM Farrell Grant Sparks. In addition to being on the Board of Headstrong, Greg holds a number of Board appointments in the private sector both domestically and internationally, including Digicel, the mobile phone operator in the Caribbean where he chairs the Audit Committee. Greg has served on the Boards of The Irish Times, Eircom, the Strategic Investment Board in Northern Ireland, and chaired the Coombe Hospital for a number of years.

11. Brian Walsh

Brian joined Vhi Healthcare in November 2014 as Finance Director and was appointed to the Board in March 2015. He joined from DPI Specialty Foods Inc, Los Angeles a division of Ornua, where he was divisional Chief Financial Officer. DPI is one of the largest specialty food distributors in the US with over 1,800 employees and annual revenues in excess of $1 billion. Previously, he has held Board and senior executive roles in the international financial services, telecommunications and FMCG industries in Europe and the United States with leading companies including Citibank, Deutsche Telekom and eir. Brian is a Fellow of Chartered Accountants Ireland, having qualified with PwC.

Terry O'Niadh completed his term of office 18 July 2015

John Melvin completed his term of office 14 March 2015

Martin Sisk completed his term of office 14 March 2015

EXECUTIVE MANAGEMENT TEAM

1. John O'Dwyer
Chief Executive

John O'Dwyer joined Vhi Healthcare from the international Dutch insurance group Achmea where he was the Chief Operating Officer and Executive Director with responsibility for the Life, General and Health businesses in Interamerican, the second biggest insurer in Greece. John has an extensive track record in financial services and in particular the health insurance sector. Prior to his current role he has held positions as Managing Director of Friends First Life Assurance, Director of Operations at BUPA Ireland and Assistant Chief Executive with responsibility for Claims in Vhi Healthcare. He was also non-executive Chairman of the Board of the National Treatment Purchase Fund.

2. Dr. Bernadette Carr
Director, Medical, MD, FRCPI, MPH, LFOM

Bernadette Carr is a physician with extensive clinical and research experience. Her qualifications include 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 Healthcare in 1994 as Medical Director and her responsibilities include provider relations and contract negotiations, medical and healthcare development, medical services provision and wellness. Bernadette is the Vhi Healthcare lead in a major European research project under the FP7 Framework, studying the molecular and physiological effects of lifestyle factors on diabetes.

3. John Creedon
Director, Claims

John Creedon has been a Director of Vhi Healthcare since 1996 and prior to this he held a number of senior positions within Vhi Healthcare. John is responsible for the overall service, administration and payment of claims in Vhi Healthcare and he is also responsible for the management and administration of all individual and corporate business. John has a BSc in Computer Applications from Dublin City University.

4. Adam Lyon
Chief Risk Officer

Adam Lyon is an actuary with over 25 years experience in insurance and financial services in the UK and Ireland. Adam joined Vhi in early 2013 having previously worked as General Manager of Business Development at Friends First Life Assurance Company. He has a broad range of cross functional experience having headed marketing, sales, finance, product development and customer service functions in previous roles. He is a fellow of the Institute of Actuaries and a fellow of the Society of Actuaries in Ireland.

5. Margaret Molony
Director, Information Technology

Margaret Molony has over 30 years experience in Vhi Healthcare and is responsible for information technology services in the organisation. Prior to her current role, Margaret held a number of senior positions in Business Change, Program Management and Operational Management within Vhi Healthcare. She was appointed Director, Information Technology in 2008. She is also a member of the International Insurance Federation and INSEAD Alumni Association.

6. 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 Healthcare Board of Directors in 2008. From November 2011 to July 2012, he served as Acting Chief Executive, Vhi Healthcare. To date he has been responsible for the management of Vhi Healthcare's product portfolio and the development of new products and services.

7. Michael Owens
Director, Human Resources

Michael Owens joined Vhi Healthcare in 1999 from Coyle Hamilton (Willis) where he was previously the Human Resources Director. He has varied and extensive experience in HR gained in a number of different sectors including insurance, retail and manufacturing. Michael has also served on a number of voluntary boards, including Junior Achievement and Business to Arts where he was Chairman for a number of years. Michael is currently serving as National Chair for CIPD Ireland. He is a Fellow of the Chartered Institute of Personnel and Development, has a coaching Diploma from University College Dublin and BA in Industrial Relations from the National College of Ireland.

8. Tony McSweeney
Managing Director, Vhi Healthcare

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. In his role, Tony is responsible for all Sales and Retention activities across Vhi corporate and individual memberships. In addition he is responsible for the Customer Service Business Centre based in Kilkenny which is the primary location for customers wishing to make contact with Vhi Healthcare.

9. Brian Walsh
Director, Finance

Brian joined Vhi Healthcare in November 2014 as Finance Director and was appointed to the Board in March 2015. He joined from DPI Specialty Foods Inc, Los Angeles a division of Ornua, where he was divisional Chief Financial Officer. DPI is one of the largest specialty food distributors in the US with over 1,800 employees and annual revenues in excess of $1 billion. Previously, he held Board and senior executive roles in the international financial services, telecommunications and FMCG industries in Europe and the United States with leading companies including Citibank, Deutsche Telekom and eir. Brian is a Fellow of Chartered Accountants Ireland, having qualified with PwC.

VHI CLAIMS HELPLINE

ONE MILLION
CUSTOMER CALLS HANDLED

VHI SPECIAL INVESTIGATIONS UNIT

€18.5 MILLION
RECOVERED IN 2015

MEETING CUSTOMER NEEDS
926,000
CLAIMS PROCESSED

Developing smarter solutions to **contain costs and deliver quality services**.

The year 2015 was a very significant one for the Vhi Group in that Vhi Insurance DAC was authorised as a Non-Life Insurance Company and Vhi Healthcare Ltd as an Insurance Intermediary by the Central Bank of Ireland. The newly authorised entities commenced trading on 31 July 2015. The authorisation of our private medical insurance (PMI) business has put the organisation on a sound regulatory footing, will support delivery of our business strategy over the coming years and will enable us to grow through further diversification.

In addition, 2015 was another year of solid financial performance with an after tax surplus of €45.5 million, together with an improved reserves position of €521 million at the end of December 2015.

Authorisation of Vhi

The authorisation of Vhi by the Central Bank of Ireland was required in order to bring Vhi into compliance with the EU Non-Life Insurance Directives. Vhi is now the largest authorised General Insurance Company operating in Ireland. Achieving this goal has been a key objective of Vhi for several years and, consequently, securing authorisation in 2015 was a significant milestone for the organisation, its employees and more than one million customers.

Authorisation was a complex project, completed in a challenging economic environment. Vhi was required to satisfy the Central Bank that it was well capitalised and to demonstrate that it had a robust strategic business plan to ensure the ongoing future viability of Vhi. Strong business performance together with rigorous cost containment over recent years has enabled us to significantly strengthen our solvency position. In addition, our regulatory reserves were further strengthened by raising €90 million subordinated debt from Berkshire Hathaway in addition to the reinsurance arrangement already in place with them. This represented a strong vote of confidence in Vhi and its future and ensured that Vhi was able to meet the solvency requirements of the Central Bank of Ireland without any financial assistance from the Exchequer.

I would like to express my thanks to each and everyone involved in this lengthy and challenging undertaking. Our priority now is to continue to work on the evolution and implementation of our business strategy to ensure continued and increased success for the Vhi Group.

Future Challenges for Healthcare in Ireland

Ireland is facing a very serious demographic and healthcare provision challenge. Currently our country has the youngest population in the European Union but it is expected that our population will age faster than any other country over the next number of years. By 2031 almost 1 million people in Ireland will be aged 65 years or over and the highest percentage increase will be among our over 85 year olds, where we know healthcare needs are greatest. While people are now living longer, a consequence is that the incidence of chronic disease in Ireland is expected to rise dramatically in future years. These developments have major implications for the healthcare system as a whole in Ireland. For Vhi in particular, with the largest share of older and sicker customers in the private health insurance market, they present real challenges.

Given these future trends in ageing and chronic disease prevalence it is essential that the market is adequately legislated for, that Community Rating is protected and that Risk Equalisation is strengthened and made more effective.

The need to make Community Rating Work Effectively

More needs to be done by Government to protect the Community Rated PMI market with legislation that ensures that it is equally attractive to insure an 80 year old as it is to insure a 30 year old. Risk Equalisation is a common mechanism used in countries with Community Rated health insurance systems to equitably spread the higher claims costs associated with older and sicker customers across all private health insurers in proportion to their customer age and health profile. Typically insurers with higher numbers of younger and healthier members make transfer payments to other insurers who bear higher claims costs associated with a disproportionate number of older and sicker customers.

Inadequacies in the Risk Equalisation Scheme (RES) mean that cherry-picking of younger healthier lives continues to dominate competition in the Irish PMI market. Without a comprehensive and effective RES, insurers simply avoid insuring older and sicker members and competition is focused on attracting profitable younger and healthier members. This is not in the best interest of consumers who would be better served by a PMI market that is incentivised to deliver claims efficiencies and genuinely innovative product design rather than the management of the age/health profile of its customer portfolio.

Age and health status are typically the two most significant risk factors that are considered within a comprehensive RES. While age credits have progressed with the development of the scheme in Ireland, health status credits are currently ineffective with hospital bed utilisation credits, introduced in 2013, being a weak proxy for health status. This measure is fundamentally flawed because it is paid to all claimants irrespective of their health status and is a flat credit that does not allow for the severity of the underlying medical condition. We would encourage the Government to consider alternative measures for the immediate strengthening of health status measures within the RES. Vhi is committed to working with the Department of Health, the Health Insurance Authority (HIA) and the Minister to find a fair and more effective RES including health credits that are more reflective of the underlying health status of customers.

On a positive note, the PMI market began to stabilise during 2015 following a difficult economic period which forced many from the market. The improving economy clearly was a factor, but equally, Government initiatives by way of introducing Lifetime Community Rating and young adult discount rates in May 2015 have helped to attract and retain younger customers into the market. We would encourage the Government to look at further initiatives to enhance the attractiveness of PMI to younger customers such as the extension of young adult discounts.

Acknowledgements

I would like to thank the management and staff of Vhi for their continued hard work, enthusiasm and determination to rise to the business challenges and find solutions for our customers. Their dedication was one of the principal factors in ensuring that Vhi was authorised by the Central Bank of Ireland. I also wish to acknowledge the contribution and commitment of my fellow Board Directors and their support throughout a demanding year. I want to express my thanks to Martin Sisk, whose term as Chairman of the Vhi Board ended in March 2015, for his commitment and steady leadership of Vhi. I would also like to thank Terry O'Niadh and John Melvin whose terms of office expired during the year. The appointment of new Board Members, Dr Finbar Lennon and Brian Walsh, during 2015 as well as the re-appointment of Celine Fitzgerald, Dr Ruth Barrington and Seamus Creedon helped to add or retain important skills and expertise to the Board during a significant period of change for the organisation.

Looking ahead

Following the securing of authorisation Vhi can now look forward with optimism to delivering on its strategic objectives into the future. This will see Vhi expanding its health services for the benefit of all its customers. I believe that there is a great opportunity for Vhi to leverage its scale and medical expertise to devise new approaches to managing healthcare that will provide competitive advantage for the business but will also deliver affordable and better healthcare outcomes for our customers.

As I mentioned earlier, our ageing population and the fact that people are living longer with more chronic illness means that we will need to adapt our models of healthcare to tackle these developments. This will require us to be even more innovative in our approach to providing added benefit and expertise in the treatment of such illnesses in the future. I have every confidence that Vhi will rise to this challenge.

Finally, I would like to express my thanks to our customers, over one million of them throughout Ireland, for their continuing support and confidence in our products and services.

L. Downey

Liam Downey
Chairman

€45.5 MILLION AFTER TAX SURPLUS

€521 MILLION RESERVES

€90 MILLION SUBORDINATED DEBT FROM BERKSHIRE HATHAWAY

31 JULY 2015 AUTHORISED BY THE CENTRAL BANK

LEADING CHANGE

1ST

VHI SWIFTCARE CLINICS IRELAND'S FIRST URGENT CARE CENTRE NETWORK

QUALITY ASSURED

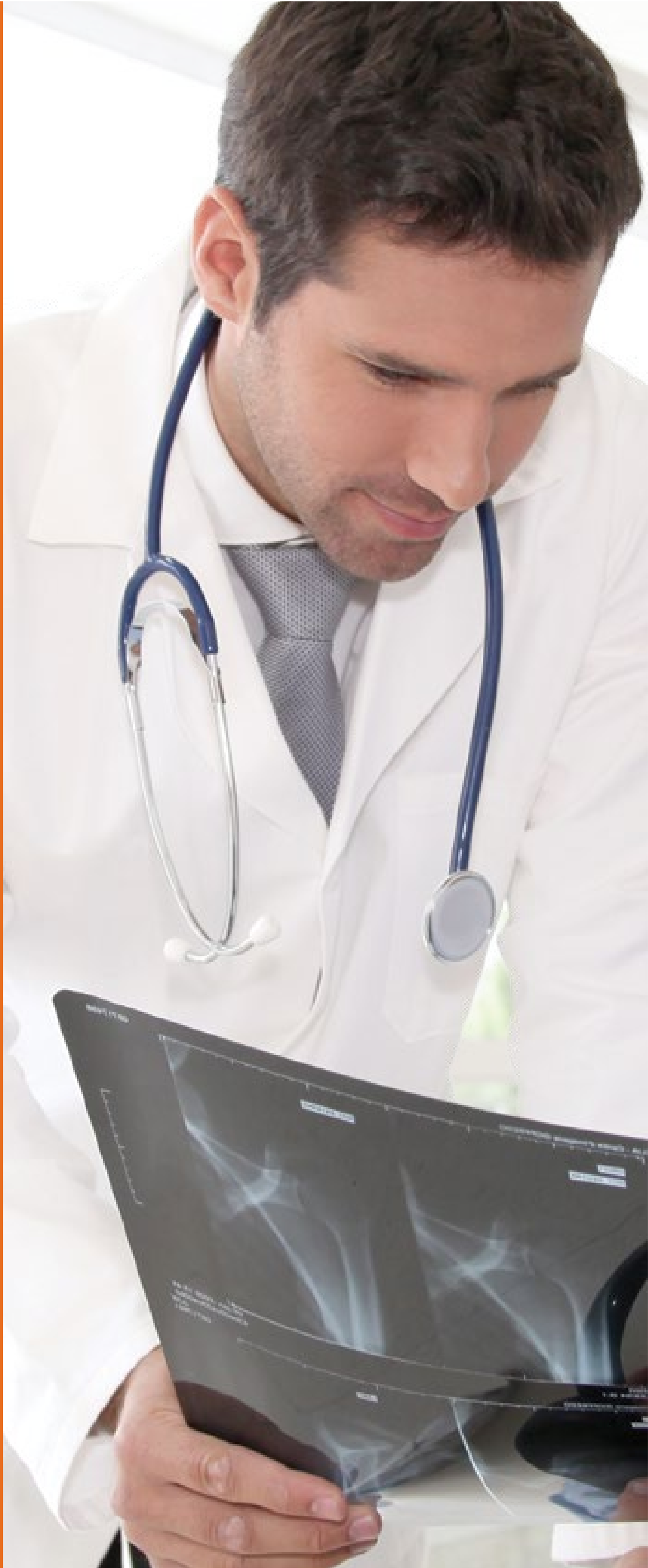
100%

VHI SWIFTCARE CLINICS ACHIEVED 100% IN ALL CATEGORIES OF THE ISO CERTIFICATION PROCESS

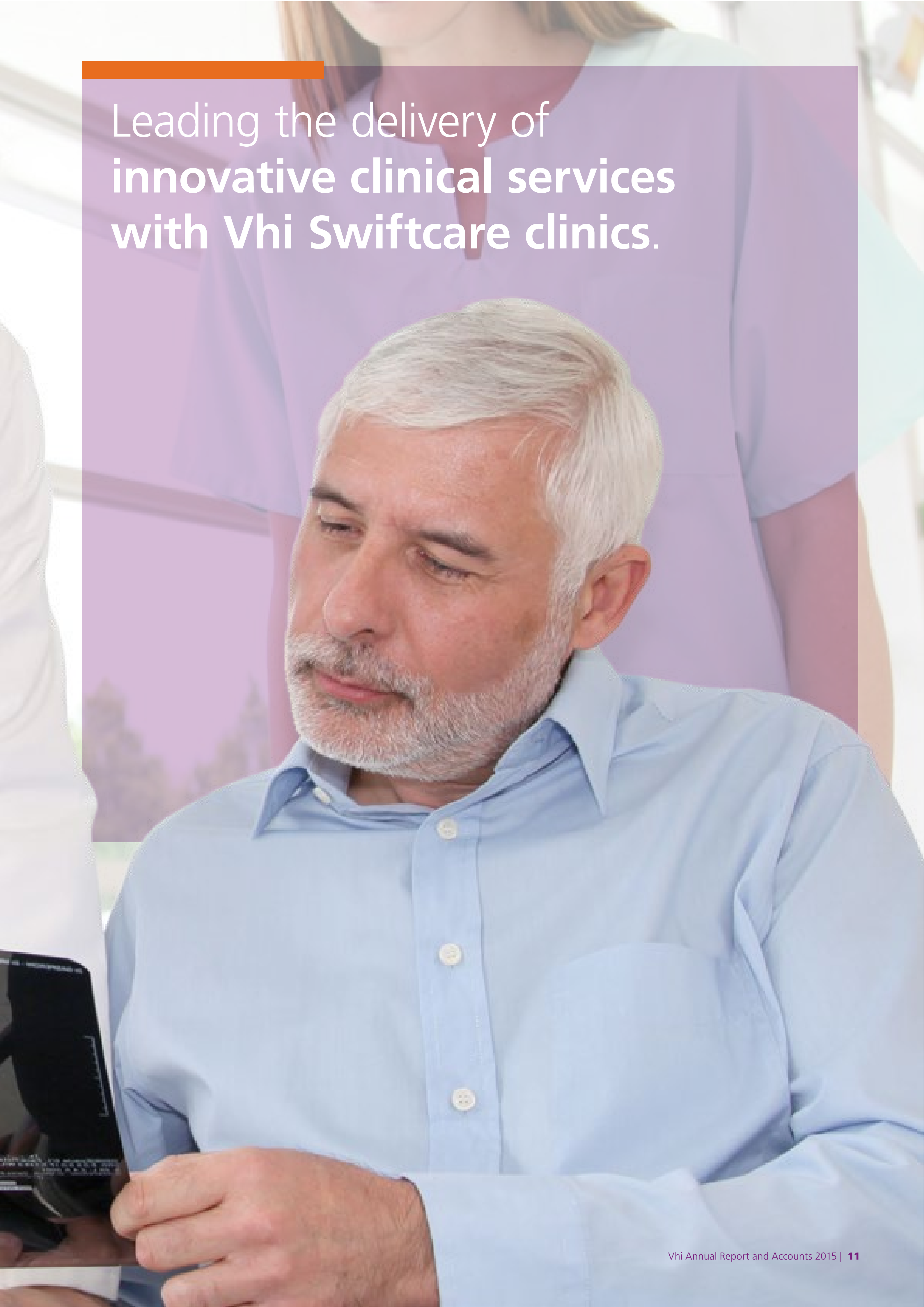
PATIENT FOCUSED

+11%

VHI SWIFTCARE CLINICS TREATED 8,000 MORE PEOPLE IN 2015 THAN IN 2014



Leading the delivery of **innovative clinical services with Vhi Swiftcare clinics**.



2015 was a landmark year for Vhi. In July, our insurance underwriting company Vhi Insurance DAC and our retail intermediary, Vhi Healthcare Limited were authorised by the Central Bank of Ireland. Our consolidated business recorded a net surplus of €45.5 million and paid €1.378 billion in claims delivering healthcare solutions to meet our customers' medical needs. During the year under review, Vhi increased its reserves to over €521 million. In a further strengthening of our balance sheet, we raised additional capital through a subordinated debt agreement with Berkshire Hathaway, consolidating our solvency position. The confidence of private capital providers in Vhi together with our strong financial performance for the past four years, augurs well for the future of the group.

In addition we continued to expand our private medical insurance offering and our other insurance services and deliver savings through our extensive cost containment programme, which helped to further consolidate our solvency position. Significantly, we recorded an increase in membership for the first time in many years.

In his report, the Chairman spoke of the importance of achieving authorisation from the Central Bank of Ireland. From an operations perspective this was a complex project, but one which will put Vhi in a strong position to deliver on its business strategy. In particular, it gives us the ability to broaden the range of products and services we can offer customers in the future.

Lifetime Community Rating (LCR) was also introduced to the market in 2015. At the same time young adult rates were introduced which allowed insurers for the first time to offer reduced rates to young adults up to the age of 25. We believe both of these initiatives will lead to a stronger, more sustainable health insurance market over time, with more young people taking out health insurance. This is critical to keeping premiums affordable for all health insurance customers. I am delighted to report that the take-up of our new, specially tailored plans for those who wished to become insured before the 1 May deadline was good. We must continue to build on this and continue to encourage young people to take out private health insurance if we are to sustain the much valued Community Rated Private Health insurance market for the long-term.

2015 saw an increase in new business, improvements in customer retention and most importantly improvements in our customers' perceptions of value for money and willingness to recommend. In 2015 our Lifetime Community Rating sales campaign was recognised as the 'Best Sales Campaign' at the 2015 Contact Centre Management Association Awards. In addition, we introduced half-price discounts for child premiums on a range of plans at various times during the year. Our corporate wellness product, Vhi LiveWell, has seen spectacular growth during the year. At the latter end of the year, Vhi announced a modest price increase averaging 2% across a number of plans from 1 November 2015. The increase, which was the lowest in the market, was our first in 20 months and was necessary to cover the rising cost of our customers' claims.

Managing costs continues to be a priority for Vhi. During the year, this was achieved through a combination of measures including the monitoring of utilisation, developing best practices, targeted claims efficiency programmes and increasing the activity of our Special Claims Investigation Unit. A welcome development was the agreement with the HSE on a Memorandum of Understanding which will see the streamlining of claims submission patterns with public hospitals. This agreement is set to change the way public hospital claims are submitted for payment and how they are reimbursed. This system will benefit Vhi by providing greater certainty through early notification of claims and improved visibility through the provision of hospital bed maps and an agreed roadmap for e-claiming for all public hospitals.

However, we do have a concern about the rising costs of beds in public hospitals. The Health (Amendment) Act, 2013 provides for the introduction of charges for all private in-patients, including those accommodated in public beds. When the legislation was introduced it was estimated that the additional cost of this would not exceed €30 million in 2014 and €45 million in a full year. However, our claims data would suggest that it will be more than this.

Key Financial Results

New Generally Accepted Accounting Principles (GAAP) were introduced on 1 January 2015. This has necessitated a slight change in how figures are calculated and comparative figures for 2014 have been restated to facilitate comparison with results for 2015.

The key financial results for Vhi during 2015 were as follows:

- After tax results to 31 December showed a net surplus of €45.5 million for Vhi's consolidated business activities compared with €54.5 million in 2014.
- Gross Earned premium for 2015 totalled €1.428 billion, slightly down compared with €1.451 billion the previous year. Income from products other than health insurance amounted to €27.8 million during the year, while income from investments at €5.5 million was down significantly on 2014 owing to reduced bond yields.
- At the end of December 2015 Vhi had free reserves of €521.6 million representing a significant improvement of €55.3 million or 12% compared with the previous year's position. This strengthening of free reserves can be attributed to a number of key business initiatives taken by Vhi over recent years including improvements in claims and provider management. In addition, our solvency position has been further strengthened by raising €90 million subordinated debt from Berkshire Hathaway.
- Total gross claims paid in 2015 came to €1.378 billion, up by 10% compared with €1.248 billion in 2014. The increase in claims costs on the previous year reflects the full effect of significant increases in Public Hospital Charges introduced by Government in 2014.
- Vhi's operating expense ratio to premium income was 8.2%, compared to 8.1% in 2014. Our administration ratio is very efficient by international standards. The average number of persons, including part-time employees, employed by the Board during 2015 was 1,132.

Funding the healthcare needs of our customers

During 2015, Vhi processed almost 926,000 claims in respect of healthcare needs of its customers. Of this total over 731,000 were in-patient and day-care claims while a further 195,000 were for outpatient and primary care claims. 78% of hospital claims related to day-case and side-room settings and these accounted for just 29% of claims costs. Meanwhile, some 22% of claims were for patients who were admitted and kept overnight or longer, with these claims contributing to 71% of hospital claims costs.

The most significant areas of claims expenditure during 2015 were:

- Cancer & related care – €188.2 million
- Heart & circulatory system – €159.8 million
- Orthopaedic Care including hip, knee replacements etc – €147.3 million
- Digestive system – €102.1 million
- Respiratory illnesses – €72.3 million
- Central Nervous system – €70.2 million

(These figures are based on claims relating to admissions in 2015 and processed up to mid-March 2016).

€1.43 BILLION GROSS EARNED PREMIUM

€1.38 BILLION GROSS CLAIMS PAID

€28 MILLION DIVERSIFIED PRODUCTS INCOME

Healthcare Cost Management Initiatives

Vhi is committed to delivering quality healthcare at affordable costs. Our cost containment strategy focuses on ways in which we can make better use of our resources. For example, our hospital-in-the-home service, Vhi HomeCare, an exclusive, innovative service available to Vhi customers has delivered clear financial results by treating patients who would normally have required admission to hospital. Since its inception in 2010, this service has treated over 5,000 people, saved 65,000 hospital bed days, and delivered €23.8 million in savings.

I am pleased to report that our Special Claims Investigation Unit (SIU) and Utilisation Review process continued to achieve significant savings, recovering more than €18.5 million in 2015. The use of data analytics is helping Vhi to more easily identify instances of inappropriate billing and over-utilisation of medical services. In addition, the SIU focused on other areas including pre-payment and post-payment validation calls to customers, third party recoveries, clinical review/billing audit, and a thorough follow-up on customer queries following a check of their claims statement. The SIU is currently undertaking a wide-ranging review of drugs charges submitted by a selection of hospitals.

Diversified Products and Services

For over 10 years Vhi has been developing and implementing a product diversification strategy. Vhi currently provides cover for dental treatment, travel insurance, employee assistance programmes, medical screening, urgent care for minor illnesses and injuries, as well as consultant led hospital-in-the-home services. Income from diversified business amounted to €27.8 million in 2015.

- During 2015, almost 74,000 patients attended the **Vhi SwiftCare Clinics** to receive urgent care for minor injuries and illnesses. In addition, a further 24,000 customers also attended the appointment-led services available at Vhi SwiftCare Clinics which include physiotherapy, orthopaedic services, x-ray services, sports medicine as well as minor procedures. The Vhi Swiftcare Centres which are accredited offer a 365 day a year urgent care service.

- **Vhi Medical Centres** Vhi is the only insurer to own and operate dedicated screening facilities that are fully accredited by the Joint Commission International (JCI) since 2012 in recognition of continued commitment to the provision of high-quality screening services. In addition to the medical screening and health checks carried out in our Medical Centres in Dublin and Cork, we have an on-site screening initiative called Vhi LiveWell which carries out thousands of screenings at companies throughout Ireland for their employees. By the end of December 2015 more than 70,600 screenings and health check assessments had been completed since the commencement of these services in 2009.

- Vhi has a suite of different **travel insurance policies** which provide customers with an array of different cover options to suit their healthcare needs while abroad. **Vhi International** (which offers expatriate insurance cover for people who move abroad for more than six months), **Backpacker travel insurance** and **Multi Trip from Vhi Healthcare** all performed well throughout the year as did **Vhi Canada Cover** which was introduced to cater specifically for customers looking to avail of the two year working visa to Canada.

- **Vhi Corporate Solutions** is the market leader for employee assistance programmes (EAP) in Ireland. This dedicated team delivers EAP workshops and services to over 600 companies countrywide and the service covers in excess of 200,000 people. Services provided by this team include critical incident stress management as well as counselling services to help employees cope with financial, legal or emotional issues they may be facing. The team also delivers our Occupational Health Service which in 2015 retained its SEQOHS (Safe, Effective, Quality Occupational Health Service) accreditation for the provision of quality occupational health services.

- During 2015, **Vhi Dental** continued to provide cover for routine treatment including check-ups and cleanings as well as great benefits for more costly treatments including fillings, crowns and root-canal treatment. Vhi Dental also provides a direct payment facility to the dental practitioner once he or she is included on the Vhi Dental Network. By the end of December 2015 approximately 400 dentists were operating the direct payment scheme for the convenience of Vhi Dental customers.

Corporate Social Responsibility and Sponsorship

On Monday 1 June 2015, Vhi sponsored the 2015 Vhi Women's Mini Marathon, the largest event of its kind in the world, when approximately 37,000 women walked, jogged or ran the 10k route through the streets of Dublin city. The sponsorship involved an extensive campaign which was launched in February 2015 and featured several well-known Irish sports stars, personal trainers and medical experts who provided expert support for participants for four months in the lead up to the event, via the specially launched Vhi WMM 2015 App, on www.VhiWomensMiniMarathon.ie and in the Herald newspaper. The event is one with which Vhi is very proud to be associated and the sponsorship has been agreed for five years.

In 2015, Vhi partnered with the Blue September initiative for the fifth year in a row in a nationwide campaign to raise awareness in men about the specific cancers that can affect them. During the year, Vhi continued its involvement with the Jobnet/Worklink Partnership and in particular their

Network/Get Work events. Worklink provides job related training for those who have lost their jobs and more importantly helps restore people's hope, self belief, confidence and sense of self worth. We are also very pleased to be involved in the Junior Achievement Programme which is a non-profit organisation that aims to create a culture of enterprise within the education system.

Outlook

The authorisation of Vhi by the Central Bank of Ireland during 2015 represented a very significant milestone for Vhi and our one million customers. The last twelve months saw more people return to the PMI market. This trend should continue if the economy continues to recover as anticipated. The market has experienced very challenging times with people leaving the market as a result of financial pressures for the last number of years. We have worked with our customers to help them retain their policies by providing an even broader range of options and working to deliver the best healthcare at affordable prices. Our willingness to listen and respond to customers' needs and to be innovative in the solutions we propose has been well received and has contributed to the growth of our customer base during the year.

For 2016, we will continue to focus on customer care and cost management so that health insurance remains affordable for our customers. We will also concentrate on proactively improving the health and wellbeing of our customers by continuing to innovate and add value by bringing new goods and services to the market.

John O'Dwyer
Chief Executive

8.2%
OPERATING EXPENSES RATIO TO PREMIUM INCOME

731,000
IN-PATIENT & DAY-CARE CLAIMS PROCESSED IN 2015

195,000
OUT-PATIENT CLAIMS PROCESSED IN 2015

Proactively **improving the health and wellbeing of our customers.**

VHI WOMEN'S MINI MARATHON

37,000 WOMEN

TOOK PART IN THE BIGGEST ALL-FEMALE EVENT OF ITS KIND IN THE WORLD

VHI MEDICAL CENTRES

70,600 SCREENINGS & HEALTH CHECKS

SINCE 2009

VHI CORPORATE SOLUTIONS

600 COMPANIES

CHOOSE VHI TO PROVIDE EMPLOYEE ASSISTANCE PROGRAMMES

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

The Directors have pleasure in submitting their 59th Annual Report in accordance with Section 20 (1) of the Voluntary Health Insurance Act 1957. The Accounts of the Voluntary Health Insurance Board ("Vhi 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 the European Union (Insurance Undertakings: Financial Statements) Regulations 2015.

1. Principal activities and review of the business

The Vhi Board was established under the Voluntary Health Insurance Act 1957 to act as a statutory body to undertake the business of writing private medical insurance in Ireland. The Voluntary Health Insurance (Amendment) Act 2008 was enacted to facilitate the statutory reorganisation of the Vhi Board in order to facilitate an application by two of the Vhi Board's newly incorporated subsidiaries to become authorised by the Central Bank of Ireland ("the Bank"). Vhi Insurance DAC was incorporated as the insurance entity and Vhi Healthcare Limited was incorporated as the retail intermediary (together on attaining authorisation from the Bank to be called "Regulated Entities"). Due to regulatory requirements, it was not appropriate that certain ancillary activities carried on by the Vhi Board would transfer to the Regulated Entities. Therefore a number of additional Vhi group subsidiaries were incorporated. The Minister for Health appointed 31 July 2015 as the effective date for the transfer of the Vhi Board's business under the Voluntary Health Insurance (Amendment) Act 2008 and accordingly the Vhi Board's health insurance business transferred by operation of law to Vhi Insurance DAC on this date. On 31 July 2015 the Vhi Board's intermediary business transferred to Vhi Healthcare Limited. The Vhi Board's non-health insurance businesses transferred to other entities within the Vhi group by way of business and asset transfer agreements.

2. Results and Dividends

While authorisation by the Central Bank became effective 31 July 2015 for the regulated entities these businesses were viewed as already being in operation as part of the Vhi Board. Demerger accounting was applied in line with Financial Reporting Standard 102. This had no impact to the consolidated Vhi Board accounts. Please refer to Note 1 for further information on demerger accounting method.

The consolidated results for the year ending 31 December 2015 are set out in the Profit and Loss Account shown on page 24. The consolidated Vhi Board surplus after tax for the year is €45.5m (2014: €54.5m).

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 Review.

4. Directors' compliance statement

We, the Directors of the Vhi Board, acknowledge that we are responsible for securing compliance with all applicable laws and regulations relevant to the business operations of the Vhi Board.

Vhi's objective is to conduct business in accordance with both the letter and the spirit of the relevant regulatory, compliance and risk related laws, regulations and codes that apply to its regulated activities, as well as Vhi internal compliance policies and standards and to act with integrity, honestly and fairness in dealing with our customers.

Our Compliance Policy sets out the scope, philosophy and approach to the management of regulatory compliance risk within Vhi.

We are committed to taking all reasonable steps to ensure that the Vhi Board complies with all relevant laws and regulations relevant to our business operations.

The Board of Directors has in place appropriate arrangements and structures that are designed to ensure material compliance with Vhi Board's relevant obligations.

The governance arrangements include:

- A clear organisational structure;
- Well defined transparent and consistent lines of responsibility;
- Effective processes to manage, monitor and report risks to which we are or might be exposed;
- Adequate internal control mechanisms that include sound administration and accounting procedures;
- IT systems and controls;
- Remuneration policies and practices that are consistent with and promote sound and effective risk management.

The governance arrangements are underpinned by internal audit, risk management, compliance and actuarial functions that are independent and have direct reporting lines to the Board of Directors.

5. Corporate Governance

The Directors support the principles of Corporate Governance outlined in the Central Bank of Ireland Corporate Governance Requirements for Insurance Undertakings as well as the Code of Practice for the Governance of State Bodies. The Board complies with the provisions of the Codes that are applicable, except in respect of the appointment and terms of office of Directors, which are the responsibility of the Minister for Health.

Board of Directors:
The Directors of the Board at 31 December 2015 are listed in the table on the following page. The roles of Chairman and Chief Executive are separate. All Directors are appointed by the Minister for Health. The Board held nine meetings during 2015 and has a formal schedule of matters specifically reserved to it for decision which includes approval of the overall strategic plan, annual operating plans, 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 Directors may take independent professional advice. All Directors have access to the advice and services of the Secretary and Directors' liability insurance cover is in place. The Board has put in place a process for appraisal of its performance.

Attendance at Board and Board Committee Meetings held during the financial year:

	Board		Audit		Remuneration Committee		Risk Mgmt & Compliance	
	A	B	A	B	A	B	A	B
Martin Sisk	2**	2					1	1
Seamus Creedon	7	9					5*	5
Celine Fitzgerald	9	9	3	4	3*	3		
Liam Downey	4**	9	0	1	1	3		
John Melvin	2	2					1	1
Terry O'Niadh	6	6					3	3
Dr Ruth Barrington	9	9	4	4				
Paul O'Faherty	9	9	3	4			4	5
Joyce Brennan	9	9			3	3	4	5
Greg Sparks	8	9	4*	4				
Finbar Lennon	7	7						
Declan Moran	9	9					5	5
John O'Dwyer	9	9	4	4	3	3	4	5
Brian Walsh	7	7	4	4			5	5

* Chairperson of Committee ** Chair of the Board

Column A: The number of scheduled meetings attended during the year the Director was a member of the Board and a member/or attendee of the committee
Column B: The number of scheduled meetings held during the year the Director was a member of the Board and a member/or an attendee of the committee

Note: Liam Downey was appointed Chairman of the Vhi Board in March 2015 and resigned as a member of the Audit Committee and as Chair of the Remuneration Committee during the year.

Appointments/Resignations during the year:
Martin Sisk – Term expired 14 March 2015
John Melvin – Term expired 14 March 2015
Terry O'Niadh – Term expired 18 July 2015

Audit Committee
The Audit Committee consists of four non-Executive Directors. It meets at least four times a year and reviews the annual accounts, internal control matters and the effective conduct of internal and external audit. The Audit Committee also 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.

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
A Board appointed Remuneration Committee is also in place comprising the Chairman and two non-Executive Directors. This Committee is responsible for recommending candidates for senior management appointments and remuneration policies.

Risk Management and Compliance Committee
The Risk Management and Compliance Committee comprise non-executive and executive Directors with the principal purpose of overseeing, reviewing and monitoring the operation of the compliance and risk management systems. The main roles and responsibilities of the Risk Management and Compliance Committee are set out in written terms of reference.

Internal Control
The Board has given effect to the recommendations of the Internal Control: Guidance for Directors on the Corporate Governance requirement for Insurance Undertakings as well as the Code of Practice for the Governance of State bodies. 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 delegated responsibility for the implementation of this system to Executive Management on a day-to-day basis.

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:

- 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;
- formal policies, procedures and organisational structures which support the maintenance of a strong control environment;
- a comprehensive set of management information and performance indicators is produced 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;
- 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;
- 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.

During the year, there was a self-assessment review of the effectiveness of our internal control policy and the Board is satisfied that there is a sound system of internal control in place.

6. Going Concern

The accounts of the Vhi Board have been prepared on a going concern basis and the Directors have satisfied themselves that the Board will have adequate resources to continue in operational existence and to meet solvency requirements for the foreseeable future. In forming this view, the Directors consider that it is appropriate to do this on the basis of the Board's Operating Plan for 2016, stress test assessments, strong governance structures in place and satisfactory operating results during 2015 which further contributed to a strong solvency position.

The Board is satisfied that the introduction of the new EU Solvency Directive (referred to as 'Solvency II') which became effective on 1 January 2016 will not materially alter its ability to meet its financial resource requirements.

7. Directors' Remuneration

Annual remuneration levels for the Chairman and each non-executive Director have been set by Government at €31,500 and €15,750 respectively with effect from 1 January 2015.

8. Principal risks and uncertainties

Irish company law requires companies to describe the principal risks and uncertainties they face. The principal risks and uncertainties of Vhi Board have been determined by assessing potential risks to capital, value, sustainability and reputation from a strategic and operational perspective and Vhi's risk tolerance levels are recorded in the Risk Appetite Statement approved by the Board.

They are monitored and managed by Executive Management and are reported to the Board of Directors on a regular basis. They are summarised below.

a. Risks from Inadequate Risk Equalisation

Risk equalisation is a process that aims to spread claims costs of the higher-risk older and less healthy policyholders amongst all the private health insurance companies in the market. In circumstances where the risk equalisation system is not fully effective there is a threat to the existence of a community rated market when significant differences in risk profiles exist between competing insurers. Risk equalisation is a common mechanism in countries with community rated health insurance systems. The Risk Equalisation Scheme in Ireland, in the view of Vhi, remains only partially effective and places insurers covering a disproportionate share of higher risk older and less healthy policyholders at a competitive disadvantage with attendant risk to capital, value and sustainability.

b. Risks from Medical Inflation and Ageing Population

Medical inflation results from the development of new technologies, drugs and treatments as well as increases in labour and other input costs. The combination of medical inflation and population ageing lead to increased demand for and cost of medical treatment. Vhi projects that medical inflation will outpace general inflation and this presents risk to private health insurance affordability and growth of the voluntary private health insurance market.

c. Risks from legislative and regulatory changes

Private medical insurance and associated healthcare services providers in Ireland are subject to EU and Irish legislation and regulation. There are risks that legislative or regulatory changes affecting the operation of private medical insurance and healthcare services markets may cause increases in private medical insurance policyholder cost or impose material additional costs on insurance or healthcare service providers.

d. Investment Risk

Vhi is exposed to a range of risks in relation to its investment portfolio. These include:

- Market risk where reductions in investment values are not matched by changes in the value of our liabilities and are influenced by geopolitical and macro-economic risk
- Credit risk where our counterparties fail to meet all or part of their obligations
- Liquidity risk where the timing of liability payment and availability of cash resources are mismatched

Vhi principally invests in high quality and secure securities whose term match the short-term nature of our liabilities in accordance with prudent investment policies that are implemented and monitored by management and regularly reported to the Board.

e. Other Risks
Vhi is also subject to a range of other risks, including operational risk (the risk of human, systems or process failure), strategic risk (the risk that the incorrect strategy may be adopted by the Board or its execution is unsuccessful) and insurance risk (the risk of inadequate premium pricing or claims reserves due to the volatility, severity, frequency and timing of claims). These are also important risk categories that are actively monitored and managed to ensure the business operates within the Risk Appetite set by the Board.

9. 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, 2012). Procedures are 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 Vhi Board has complied with the requirements of the Regulations.

10. Subsidiary undertakings

The Board's subsidiaries and other undertakings, as at 31 December 2015, are listed in note 32.

11. Subsequent events

Note 30 details the subsequent events post 31 December 2015.

12. Adequate Accounting Records

The Directors have taken appropriate measures to secure compliance with the requirements of sections 281 to 285 of the Companies Act 2014 with regard to the keeping of accounting records. The specific measures taken are the employment of suitably qualified accounting personnel and the maintenance of appropriate accounting systems. The books of account are located at Vhi House, Lower Abbey Street, Dublin 1.

13. Auditors

The auditors, Deloitte, Chartered Accountants and Statutory Audit Firm, continue in office in accordance with Section 383(2) of the Companies Act 2014.

Statement of disclosure of information to Auditors
So far as each of the Directors in office at the date of approval of these financial statements are aware;

- there is no relevant audit information not disclosed to the Auditors, and
- they have taken all the steps to make themselves aware of any relevant audit information and to establish that the Vhi Board's Auditors are aware of that information.

On behalf of the Board

L. Downey

Liam Downey
Chairman

22 March 2016

Greg Sparks
Director

22 March 2016

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with the Companies Act 2014 and the regulations as applicable.

Irish company law requires the directors to prepare financial statements for each financial year. Under the law, the Directors have elected to prepare the financial statements in accordance with FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland ("relevant financial reporting framework"). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Board as at the financial year end date and of the surplus or deficit of the Board for the financial year and otherwise comply with the Companies Act 2014.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies for the group financial statements and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with the applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards: and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Board will continue in business.

The Directors are responsible for ensuring that the Board keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the Board, enable at any time the assets, liabilities, financial position and surplus or deficit of the Board to be determined with reasonable accuracy, enable them to ensure that the financial statements and the Directors' report comply with the Companies Act 2014 and enable the financial statements to be audited. They are also responsible for safeguarding the assets of the Board and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on Vhi's website.

AUDITOR'S REPORT

We have audited the financial statements of The Voluntary Health Insurance Board for the financial year ended 31 December 2015 which comprise the Group Financial Statements: the Consolidated Profit and Loss Account, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity, the Parent Company Financial Statements, the Balance Sheet, Statement of Comprehensive Income and Statement of Changes in Equity and the related notes 1 to 33.

The relevant financial reporting framework that has been applied in the preparation of group and the parent company financial statements is Irish Law and FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland and FRS 103 Insurance Contracts ("relevant financial reporting framework").

This report is made solely to the Board's directors, as a body. Our audit work has been undertaken so that we might state to the Board's members those matters we state to them in our 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 Board's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish Law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the group and parent company financial statements give a true and fair view of the assets, liabilities and financial position of the group and parent company as at 31 December 2015 and of the surplus of the group for the year then ended; and
- the group and parent company financial statements have been properly prepared in accordance with the relevant financial reporting framework and, in particular, with the requirements of the Irish Law.

Matters on which we are required to report by exception

We have nothing to report in respect of the following;

- Under the provisions of the Voluntary Health Insurance Act 1957.
- Under the Code of Practice for the Governance of State Bodies ("the Code"), we are required to report to you if the statement regarding the system of internal financial control required under the Code as included in the Directors' Report does not reflect the Group's compliance with paragraph 13.1 (iii) of the Code or if it is not consistent with the information of which we are aware from our audit work on the financial statements.

Deloitte
Chartered Accountants and Statutory Audit Firm
Dublin

22 March 2016

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	2015 €'m	2014 €'m
Technical Account			
Earned Premium, net of reinsurance	**2&3**		
Gross written premiums		1,426.6	1,445.0
Outward reinsurance premiums		(428.9)	(1,012.0)
Change in gross provision for unearned premiums		1.0	6.2
Change in the provision for unearned premiums, reinsurers share		(0.3)	144.0
Earned Premium, net of reinsurance		**998.4**	**583.2**
Allocated investment return transferred from the non-technical account		**5.5**	**18.1**
Other technical income, net of reinsurance	**4&5**	95.9	104.6
Total Technical Income		**1,099.8**	**705.9**
Claims incurred, net of reinsurance	**16**		
Claims paid – gross amount		(1,377.9)	(1,247.5)
Claims paid – reinsurers share		511.4	703.1
Change in the provision for claims – gross amount		99.7	(124.8)
Change in the provision for claims – reinsurer's share		(168.7)	138.6
	6	**(935.5)**	**(530.6)**
Net operating expenses	**7**	**(116.4)**	**(118.2)**
Balance on the health insurance technical account		**47.9**	**57.1**
Non-Technical Account			
Balance on the health insurance technical account		**47.9**	**57.1**
Investment income	**9**	5.5	18.1
Allocated investment return transferred to the insurance technical account		**(5.5)**	**(18.1)**
		47.9	**57.1**
Other Income	**24**	27.8	20.1
Other Expenses	**25**	(22.1)	(15.2)
Surplus on ordinary activities before tax		**53.6**	**62.0**
Taxation on surplus on ordinary activities	**10**	(8.1)	(7.5)
Surplus on ordinary activities after tax	**11**	**45.5**	**54.5**

All recognised gains and losses for both the current year and the previous year are included in the profit and loss account. The notes on pages 31 to 54 form an integral part of these accounts. The financial statements were approved by the Board of Directors and authorised for issue on 22 March 2016.

CONSOLIDATED BALANCE SHEET

	Notes	2015 €'m	2014 €'m
Assets			
Investments			
Land and buildings	**12**	22.8	21.1
Other financial investments	**13**	1,124.2	1,110.6
		1,147.0	**1,131.7**
Reinsurer's share of technical provisions			
Provision for unearned premiums		143.7	144.0
Claims outstanding		176.4	345.1
	16	**320.1**	**489.1**
Debtors			
Debtors arising out of insurance operations		413.3	417.4
Debtors arising out of reinsurance operations		0.2	6.4
Other debtors	**14**	278.0	263.3
		691.5	**687.1**
Other assets			
Tangible fixed assets	**15**	7.0	6.4
Cash at bank and in hand		38.0	21.3
Deferred tax asset	**17**	0.8	0.9
		45.8	**28.6**
Prepayments and accrued income			
Accrued interest		10.4	13.3
Deferred acquisition costs	**18**	4.4	4.2
Other prepayments and accrued income		2.9	2.2
		17.7	**19.7**
Total assets		**2,222.1**	**2,356.2**

CONSOLIDATED BALANCE SHEET (CONTINUED)

	Notes	2015 €'m	2014 €'m
Equity and liabilities			
Capital and reserves			
General reserve		466.3	397.4
Comprehensive income		55.3	68.9
Shareholder's funds		**521.6**	**466.3**
Subordinated debt	**23**	90.0	–
Shareholder's funds and subordinated debt		**611.6**	**466.3**
Technical provisions			
Provision for unearned premium	**26**	479.1	480.1
Claims outstanding	**16**	549.0	648.6
	16	**1,028.1**	**1,128.7**
Funds withheld for Reinsurer		**320.1**	**489.1**
Creditors			
Creditors arising out of direct insurance operations		39.2	45.1
Other creditors and accruals	**19**	217.3	210.0
Bank overdraft due within 1 year		0.2	0.4
		256.7	**255.5**
Retirement benefit liability	**22**	**5.6**	**16.6**
Total liabilities and shareholder's equity		**2,222.1**	**2,356.2**

The notes on pages 31 to 54 form an integral part of these accounts. The financial statements were approved by the Board of Directors and authorised for issue on 22 March 2016. They were signed on its behalf by:

Liam Downey
Chairman

22 March 2016

Greg Sparks
Director

22 March 2016

BOARD BALANCE SHEET

	Notes	2015 €'m	2014 €'m
Assets			
Other financial investments			
Investment in subsidiaries	**13**	479.7	481.7
		479.7	**481.7**
Total assets		**479.7**	**481.7**
Equity and liabilities			
Capital and reserves			
General reserve		465.1	448.6
Comprehensive income		9.0	16.5
Shareholder's funds		**474.1**	**465.1**
Retirement benefit liability	**22**	**5.6**	**16.6**
Total liabilities and shareholder's equity		**479.7**	**481.7**

The notes on pages 31 to 54 form an integral part of these accounts. The financial statements were approved by the Board of Directors and authorised for issue on 22 March 2016. They were signed on its behalf by:

Liam Downey
Chairman

Greg Sparks
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2015 €'m	2014 €'m
Net cash from operating activities	**20**	**(61.2)**	**110.9**
Cash flows from investing activities:			
Proceeds from sale of equipment		0.3	0.1
Purchase of property		(1.8)	(3.6)
Purchase of equipment		(4.5)	(2.8)
Investment and dividend income received		23.9	23.4
Purchase of investments		(29.8)	(92.6)
Net cash flows from investing activities		**(11.9)**	**(75.5)**
Cash flows from financing activities:			
New loans raised		90.0	_
Net cash flows from financing activities		**90.0**	_
Net increase in cash and cash equivalents		**16.9**	**35.5**
Cash and cash equivalents at beginning of financial year		20.9	(14.6)
Cash and cash equivalents at end of financial year		**37.8**	**20.9**
Reconciliation to cash at bank and in hand:			
Cash at bank and in hand at end of financial year		37.8	20.9
Cash and cash equivalents at end of financial year		37.8	20.9

BOARD STATEMENT OF CASH FLOWS

A cash flow statement has not been prepared for the Vhi Board as it is taking an exemption from preparing cashflows under FRS 102 as consolidated accounts for the Voluntary Insurance Board prepares a cash flow statement.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Total €'m
At 31 December 2013	**388.9**
Changes on transition to FRS 102/103 (Note 29)	8.5
At 1 January 2014 as restated	**397.4**
Surplus for the financial year	54.5
Actuarial gain on pension fund	14.4
At 31 December 2014	**466.3**
Surplus for the financial year	45.5
Actuarial gain on pension fund	9.8
At 31 December 2015	**521.6**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2015 €'m	2014 €'m
Surplus for the financial year	45.5	54.5
Actuarial gain	11.4	16.8
Deferred tax on actuarial gain	(1.6)	(2.4)
Total	**55.3**	**68.9**

BOARD STATEMENT OF CHANGES IN EQUITY

	Total €'m
At 31 December 2013	**440.1**
Changes on transition to FRS 102/103 (Note 29)	8.5
At 1 January 2014 as restated	**448.6**
Surplus for the financial year	2.1
Actuarial gain on pension fund	14.4
At 31 December 2014	**465.1**
Deficit for the financial year	(0.8)
Actuarial gain on pension fund	9.8
At 31 December 2015	**474.1**

BOARD STATEMENT OF COMPREHENSIVE INCOME

	2015 €'m	2014 €'m
Deficit for the financial year	(0.8)	2.1
Actuarial gain	11.4	16.8
Deferred tax on actuarial gain	(1.6)	(2.4)
Total	**9.0**	**16.5**

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

General Information

The Voluntary Health Insurance Board ("Vhi Board") was established under the Voluntary Health Insurance Act 1957 to act as a statutory body to undertake the business of writing private medical insurance in Ireland. The address of the registered office is given on page 57. The nature of operations and the Vhi Board's operating and financial review are detailed in the Directors' report on page 18.

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standards 102 & 103 (FRS 102 & FRS 103) issued by the Financial Reporting Council, and promulgated for use in Ireland by Chartered Accountants Ireland. The Board is also subject to the requirements of the Companies Acts 2014 and the European Union (Insurance Undertakings: Financial Statements) Regulations 2015. The accounts are prepared on a consolidated basis. All intra group transactions, balances, income and expenses are eliminated on consolidation.

The prior financial year financial statements were restated for material adjustments upon adoption of FRS 102 & FRS 103 in the current financial year. For more information see note 29.

Demerger Accounting

The Voluntary Health Insurance (Amendment) Act 2008 was enacted to facilitate the statutory reorganisation of the Vhi Board in order to facilitate an application by two of the Vhi Board's subsidiaries to become authorised by the Central Bank of Ireland. Vhi Insurance DAC was incorporated as the insurance entity and Vhi Healthcare Limited was incorporated as the retail intermediary. Due to regulatory requirements, certain ancillary activities carried on by the Vhi Board could not transfer to these regulated entities. Therefore a number of additional Vhi group subsidiaries were incorporated. The financial statements of the Vhi Board (non-consolidated) as presented have been demerged for the year ending 31 December 2014. This has resulted in a restatement of the 2014 figures.

The demerged financial statements of the Vhi Board reflect the directly attributable income, expenses, assets and liabilities of the Vhi Board. As the ultimate parent company of the Vhi group its assets and liabilities, income and expenses, have been allocated to subsidiary companies and therefore shown as investment in subsidiaries.

The Vhi Amendment Act 2008 allows for assets and liabilities in Vhi Board to transfer by operation of law without the need for express assignment or conveyance on a transfer date as nominated by the Minister. This act prohibits the movement of the pension liability. As such no element of the pension liability held in the financial statements of Vhi Board has been allocated to the subsidiaries. The proportionate share of the pension costs has been attributed to subsidiaries for each year. The pension liability remains with the Vhi Board.

Premiums Written

Gross written premiums 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 unexpired term of policies in force at the balance sheet date, calculated on a time apportioned 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 profit and loss 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 and surplus as stated in the accounts. The provisions are made at the taxation rates which are expected to apply in the years 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.

Risk Equalisation Scheme

Risk Equalisation Premium Credits consists of amounts receivable from the Risk Equalisation Fund, administered by the Health Insurance Authority, in respect of policies commencing in the financial year. Provision for unearned credits represents the proportion of credits written in the year that relate to the unexpired term of policies in force at the balance sheet date, calculated on a time apportioned basis. Hospital Bed Utilisation Credits consists of amounts receivable from the fund for claims paid during the year. Health Insurance Levy written consists of the amounts payable to the Revenue Commissioners in respect of policies commencing in the financial year. Provision for unearned levy represents the proportion levy written in the year that relates to the unexpired term of policies in force at the balance sheet date, calculated on a time apportioned 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 profit or loss 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 and Software	4 years
Furniture, fittings, medical 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 year is subject to a maximum of four years. In the event of uncertainty regarding its future economic benefit, the expenditure is charged to the profit or loss account.

Financial assets and liabilities:
The Board's investments comprise debt and equity investments, cash and cash equivalents, and investment in subsidiaries.

Financial assets and liabilities are recognised when the Board becomes a party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Board after deducting all of its liabilities.

All financial assets and liabilities are initially measured at transaction price, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Debt instruments are designated and measured at fair value through profit and loss as they form part of a portfolio that is managed on a fair value basis in accordance with the Board's risk management and investment policy. Investments in ordinary shares are measured at fair value with changes in fair value recognised in the profit and loss account.

Realised and unrealised gains and losses arising from changes in the fair value of investments are presented in the non-technical profit and loss account in the year in which they arise. Dividend and interest income is recognised when earned. Investment management and other related expenses are recognised when incurred.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Board transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Board, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the Board estimates the fair value by using a valuation technique.

The directors use their judgement in selecting an appropriate valuation technique. Where possible, financial instruments are marked at prices quoted in active markets. In certain instances, such price information is not available for all instruments and the Board uses valuation techniques to measure such instruments. These techniques use "market observable inputs" where available, derived from similar assets in similar and active markets, from recent transaction prices for comparable items or from other observable market data. For positions where observable reference data are not available for some or all parameters the Board estimates the non-market observable inputs used in its valuation models.

FRS 102 establishes a fair value hierarchy that prioritises the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level A) and the lowest priority to unobservable inputs (Level C). The three levels of the fair value hierarchy are as follows:

- Level A – Quoted prices for an identical asset in an active market. Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis.
- Level B – When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If it can be demonstrated that the last transaction price is not a good estimate of fair value (e.g. because it reflects the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale), that price is adjusted.
- Level C – If the market for the asset is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique. The objective of using a valuation technique is to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, yield curves, credit spreads, liquidity statistics and other factors. The use of different valuation techniques could lead to different estimates of fair value.

Land and buildings
Land and buildings are valued annually on an open market value basis. Valuations are made by independent professionally qualified valuers with recent experience in the location and class of the investment properties held. All properties 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.

Investment in subsidiaries
Investments in subsidiary companies are initially recognised at cost. At each year end the director's review the investments made for objective evidence of impairment and recognise any impairment in profit and loss immediately.

Cash and cash equivalents:
Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

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 Investment 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 actual investment return. Investment return consists of dividends, interest, realised gains and losses, and unrealised gains and losses on fair value assets.

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

Pension
Certain employees of the Vhi group companies are part of the Vhi Board's defined benefit pension scheme.

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 profit and loss account of Vhi Board. Actuarial gains and losses are recognised in the statement of total recognised gains and losses of Vhi Board. 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 of Vhi Board.

The Vhi Board also operates a defined contribution pension scheme for qualifying employees who opt to join.

The assets of the plans are held separately from those of the Vhi Board in funds under the control of the Scheme Trustees. Costs arising in respect of pension schemes are charged to the Vhi Board's profit and loss account as an expense as they fall due.

The subsidiary companies of the Vhi Board recognise costs equal to their contribution payable as an employer for its employees to the scheme in their profit and loss accounts.

Other Income
Other income is recognised in the profit and loss account in the year in which it is earned and represents the invoiced value and work-in-progress value of services provided exclusive of value added tax.

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

Provisions for Liabilities
Provisions have been included for known present obligations arising from past events based on management estimates, incorporating a review of available information and appropriate external advice where available.

Reinsurance
Reinsurance commissions relate to reinsurance commission and profit participation accrued on the basis of premiums ceded and claims reimbursed and is presented in the profit and loss account in other technical income.

Premiums payable in respect of reinsurance ceded are recognised in the period in which the reinsurance contract is entered into. A technical provision, reinsurer's share of unearned premium, is recognised for the portion of ceded premiums remaining on unexpired contracts.

An additional technical provision, reinsurers' share of claims outstanding, is recognised to reflect the amount estimated to be recoverable under the reinsurance contracts in respect of the outstanding claims reported under insurance liabilities. The amount recoverable from reinsurers is initially valued on the same basis as the underlying claims provision. The amount recoverable is reduced when there is an event arising after the initial recognition that provides objective evidence that the Board may not receive all amounts due under the contract and the event has a reliably measurable impact on the expected amount that will be recoverable from the reinsurer.

Funds withheld from Reinsurers
The reinsurance contract is on a funds withheld basis. Under the agreements, Vhi retains premiums at least equal to the reinsurance asset at all times.

Taxation
The charge for taxation is based on the tax adjusted surplus for the year calculated at current rates. Current tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

2. Particulars of Business

Analysis of gross premium written by geographic location:

	2015 €'m	2014 €'m
Ireland	1,426.6	1,445.0
Total	**1,426.6**	**1,445.0**

Analysis of gross premium written, gross premium earned, gross claims incurred, gross operating expenses and reinsurance balance for the Vhi Boards health insurance business:

	2015 €'m	2014 €'m
Gross earned premium	1,427.6	1,451.2
Other technical income gross	70.4	71.8
Gross claims incurred	(1,278.3)	(1,372.3)
Gross operating expenses	(115.8)	(118.2)
Reinsurance balance	(61.7)	4.0
Total	**42.2**	**36.5**

3. Earned premium

The insurance business of the Vhi Board is that of health insurance and earned premium relates to this class of business. All business is written in the Republic of Ireland.

4. Other technical income, net of reinsurance

	2015 €'m	2014 €'m
Risk Equalisation Premium Credits/Age Related Tax Credits		
Risk Equalisation Scheme – gross (note 5)	70.4	71.8
Risk Equalisation Scheme – reinsurer's share (note 5)	(21.1)	(43.1)
Reinsurance commissions	46.6	75.9
	95.9	**104.6**

5. Risk Equalisation Scheme

	2015 €'m	2014 €'m
Risk Equalisation Premium Credits		
Gross Amount	364.6	351.9
Reinsurer's Share	(109.4)	(211.1)
Hospital Bed Utilisation Credits		
Gross Amount	56.7	44.7
Reinsurer's Share	(17.0)	(26.8)
Health Insurance Levy		
Gross Amount	(350.9)	(324.8)
Reinsurer's Share	105.3	194.9
	49.3	**28.8**

Risk Equalisation Premium Credits
The Risk Equalisation Premium Credits are receivable from the Risk Equalisation Fund for each insured person aged over 60. The rates are set out in the supplementary information to these notes. The value of the provision for unearned premium credits at the year ended 2015 was €112.2m (2014: €117.1m).

Hospital Bed Utilisation Credits
In addition to the premium credit, a Hospital Bed Utilisation Credit is also receivable from the Risk Equalisation Fund. The rates are set out in the supplementary information to these notes.

Health Insurance Levy
Under the terms of the Finance Act of 2013, a Levy by way of stamp duty is payable on renewal or inception of a private health insurance policy between 1 January 2013 and 31 March 2013. From 1 April 2013, a second lower rate of stamp duty levy was introduced for policies deemed non-advanced cover. Further changes were applied to the rates from 1 March 2014 and also from 1 March 2015. The rates associated with this levy are set out in the supplementary information to these notes. 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 2015 the unexpired portion of the levy amounted to €115.0m (2014: €115.1m).

6. Claims incurred

Each year the Directors assess 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 potential 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 2015 is €0m (2014: €0m).

7. Net operating expenses

	2015 €'m	2014 €'m
Acquisition costs	13.1	12.8
Change in acquisition costs	(0.2)	0.4
Administration expenses	102.8	102.6
Gross operating expenses	**115.7**	**115.8**
Interest	0.7	2.4
Net operating expenses	**116.4**	**118.2**

Administrative expenses for 2014 includes a reinsurance arrangement fee.

8. Directors remuneration

	2015 €'m	2014 €'m
Emoluments		
Aggregate emoluments paid by Vhi to Directors	1.0	0.4
Contribution to Defined Contribution pension schemes	0.1	0.1
	1.1	**0.5**

Employer's pension contributions paid by Vhi for serving directors are included within emoluments.
Directors receive a private medical insurance policy from Vhi during their tenure.

	2015 €'m	2014 €'m
The average monthly number of people employed during the financial year (including directors) was as follows:	1,132	1,048
Staff costs were:		
Wages and salaries	54.4	50.8
Social security costs	5.9	5.3
Other retirement benefit costs	8.3	7.6
Other compensation costs	1.0	0.9
	69.6	**64.6**

The total remuneration, including pension contribution, paid to the Chief Executive and included in net operating expenses in the year to December 2015 amounted to €323,403.

9. Net Investment Return

	2015 €'m				
	Net investment income	Net investment expense	Net realised gains and (losses)	Changes in fair value	Net investment result
Equities	–	–	–	–	**–**
Bonds	19.6	(0.8)	(8.5)	(6.2)	**4.1**
Cash and cash equivalents	2.0	–	–	–	**2.0**
Other Investment Income	(0.6)	–	–	–	**(0.6)**
	21.0	**(0.8)**	**(8.5)**	**(6.2)**	**5.5**

	2014 €'m				
	Net investment income	Net investment expense	Net realised gains and (losses)	Changes in fair value	Net investment result
Equities	0.2	–	–	1.7	**1.9**
Bonds	19.6	(0.9)	0.5	(6.0)	**13.2**
Cash and cash equivalents	3.8	–	–	–	**3.8**
Other Investment Income	(0.8)	–	–	–	**(0.8)**
	22.8	**(0.9)**	**0.5**	**(4.3)**	**18.1**

10. Tax

	2015 €'m	2014 €'m
The taxation charge in the profit and loss account comprises:		
Current taxation for year	8.3	7.7
Deferred taxation – charge	(0.2)	(0.2)
	8.1	**7.5**

Factors affecting the current taxation charge for the financial year:
The differences are explained below:

	2015 €'m	2014 €'m
Surplus on ordinary activities before taxation	**53.6**	**62.0**
Surplus on ordinary activities multiplied by standard rate of Corporation taxation of 12.5% (2014: 12.5%)	(6.7)	(7.8)
Effects of:		
Expenses not allowed for taxation purposes	(1.7)	0.6
Capital allowances in excess of depreciation for financial year	0.2	–
Income taxable not reflected in the profit and loss	(0.1)	(0.6)
Current taxation for financial year	**(8.3)**	**(7.8)**

11. Surplus on ordinary activities after taxation

The surplus for the financial year has been arrived at after charging (crediting) the below to the consolidated accounts

	2015 €'m	2014 €'m
Auditors remuneration		
Audit of individual company accounts	0.2	0.1
Other assurance services	0.1	0.1
Other non-audit services	1.4	1.5
	1.7	**1.7**

The auditors' remuneration including tax, assurance and other non-audit services for the Vhi Board were zero for the year as these costs were borne by other Vhi group companies.

12. Land and buildings

	2015 €'m	2014 €'m
Valuation		
At 1 January	21.1	19.5
Additions	1.8	3.6
Loss on revaluation	(0.1)	(2.0)
At end of year	**22.8**	**21.1**

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

Land and buildings were valued at 31 December 2015 at open market value in accordance with Royal Institute of Chartered Surveyors (RICS) appraisal and valuation standards.

13. Other financial investments

The carrying values of the Board's financial assets and liabilities are summarised by category below:

	2015 €'m	2014 €'m
Consolidated – Measured at fair value through profit or loss		
Shares and other variable yield securities in unit trusts	5.9	32.9
Debt securities and other fixed income securities	1,118.3	1,077.7
	1,124.2	**1,110.6**

	2015 €'m	2014 €'m
Board – Investment in Subsidiary		
Investment in subsidiary	479.7	481.7
	479.7	**481.7**

14. Other Debtors

	2015 €'m	2014 €'m
Amounts falling due within one year:		
Risk Equalisation Scheme	262.5	261.2
Other debtors	15.0	2.1
	277.5	**263.3**
Amounts falling due after one year:		
Other debtors	0.5	–
	278.0	**263.3**

15. Tangible Fixed Assets

	Motor Vehicles	Fixtures, furnishings and fittings	Computer/office equipment and software	Medical Equipment	Total
Cost					
Balance at 1 January 2015	2.2	12.8	89.0	0.3	104.3
Additions	0.6	–	3.8	–	4.4
Disposals	(0.6)	(0.3)	(1.1)	–	(2.0)
Balance at 31 December 2015	**2.2**	**12.5**	**91.7**	**0.3**	**106.7**
Depreciation					
Balance at 1 January 2015	(1.5)	(11.4)	(84.7)	(0.3)	(97.9)
Charge for the year	(0.5)	(0.5)	(2.8)	–	(3.8)
Disposals	0.6	0.3	1.1	–	2.0
Balance at 31 December 2015	**(1.4)**	**(11.6)**	**(86.4)**	**(0.3)**	**(99.7)**
Net book value					
At 31 December 2015	**0.8**	**0.9**	**5.3**	**–**	**7.0**
At 31 December 2014	**0.7**	**1.4**	**4.3**	**–**	**6.4**

	Motor Vehicles	Fixtures, furnishings and fittings	Computer/office equipment and software	Medical Equipment	Total
Cost					
Balance at 1 January 2014	2.1	12.8	91.7	0.3	106.9
Additions	0.5	0.3	2.8	–	3.6
Disposals	(0.4)	(0.3)	(5.5)	–	(6.2)
Balance at 31 December 2014	**2.2**	**12.8**	**89.0**	**0.3**	**104.3**
Depreciation					
Balance at 1 January 2014	(1.4)	(11.1)	(87.9)	(0.2)	(100.6)
Charge for the year	(0.5)	(0.6)	(2.3)	(0.1)	(3.5)
Disposals	0.4	0.3	5.5	–	6.2
Balance at 31 December 2014	**(1.5)**	**(11.4)**	**(84.7)**	**(0.3)**	**(97.9)**
Net book value					
At 31 December 2014	**0.7**	**1.4**	**4.3**	**–**	**6.4**
At 31 December 2013	**0.7**	**1.7**	**3.8**	**0.1**	**6.3**

16. Technical Provisions

	Provision for Unearned Premium €'m	Claims Outstanding €'m	Total €'m
Gross Amount			
As at 31 December 2014	(480.1)	(648.7)	(1,128.8)
Movement in provision	1.0	99.7	100.7
As at 31 December 2015	**(479.1)**	**(549.0)**	**(1,028.1)**
Reinsurance Amount*			
As at 31 December 2014	144.0	345.1	489.1
Movement in provision	(0.3)	(168.7)	(169.0)
As at 31 December 2015	**143.7**	**176.4**	**320.1**
Net Technical Provision			
As at 31 December 2015	**(335.4)**	**(372.6)**	**(708.0)**
As at 31 December 2014	**(336.1)**	**(303.7)**	**(639.7)**

	Provision for Unearned Premium €'m	Claims Outstanding €'m	Total €'m
Gross Amount			
As at 31 December 2013	(486.2)	(524.0)	(1,010.2)
Movement in provision	6.2	(124.8)	(118.6)
As at 31 December 2014	**(480.1)**	**(648.7)**	**(1,128.8)**
Reinsurance Amount*			
As at 31 December 2013	–	206.5	206.5
Movement in provision	144.0	138.6	282.6
As at 31 December 2014	**144.0**	**345.1**	**489.1**
Net Technical Provision			
As at 31 December 2014	**(336.1)**	**(303.7)**	**(639.7)**
As at 31 December 2013	**(486.2)**	**(317.5)**	**(803.7)**

*Change in provision for claims includes claims expenses net of payments made in respect of the reporting period and change in provisions in respect of prior years net of payments made, adjusted for reinsurer's share at the applicable quota share rates.

17. Deferred taxation asset

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

	2015 €'m	2014 €'m
Income taxed when received	(0.3)	–
Other timing differences	1.5	1.5
FRS prior year adjustments (including restatement)	(0.4)	(0.5)
Total deferred taxation asset	**0.8**	**1.0**

18. Deferred acquisition costs

Acquisition costs are expensed as the premiums to which they relate are earned. The amount of €4.4m provided for 2015 (2014: €4.2m) 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.

19. Other creditors and accruals due within one year

	2015 €'m	2014 €'m
Risk Equalisation Scheme	161.0	167.0
Other creditors	27.2	15.9
Accruals	28.9	27.1
	217.3	**210.0**

20. Notes to the cash flow statement

Consolidated	2015 €'m	2014 €'m
Surplus on ordinary activities before taxation	**53.6**	**62.1**
Add back depreciation	3.8	2.4
Retirement adjustment	(1.2)	(2.7)
Investment Income	(6.2)	(18.1)
Gain on disposal of property, plant and equipment	(0.1)	(0.1)
Operating cash flows before movements in working capital	**49.9**	**43.6**
Decrease in deferred acquisition costs	(0.2)	(0.4)
Decrease/(increase) in insurance contract liabilities	(99.7)	124.7
Increase/(decrease) in Reinsurance Asset	6.2	(36.5)
Decrease in UPR	(1.0)	(6.5)
Decrease in receivables	(11.3)	(30.9)
Increase in payables	3.4	23.4
Working capital movements	**(102.6)**	**73.8**
Cash generated by operations	(52.7)	117.4
Income taxes paid	(8.3)	(6.5)
Net cash operating activities	**(61.2)**	**110.9**

21. Prompt payment of accounts

Prompt Payment of Accounts Act 1997 (as amended by the European Communities (late payment in commercial transactions) Regulations 2012).

Payments made during 2015 were governed by the above Act to combat late payments in commercial transactions. This Act applies to goods and services supplied to the Vhi Board by EU based suppliers.

Statement of payment practices including standard payment periods
The Vhi 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 Vhi 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.

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

22. Retirement benefit schemes

The Board operates a defined benefit pension scheme which was closed to new members effective 24 January 2013. The Board also operates a defined contribution retirement plan for qualifying employees who opt to join. The assets of this plan are held separately from those of the Company in funds under the control of Trustees. Costs arising in respect of this are charged to the Profit and Loss account as an expense as they fall due.

The assets of the defined benefit scheme are held in a separate trustee administered fund. 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 2015 amounted to €7.1m (December 2014: €7.3m) and are based on 16.5% of salary.

The values used in this disclosure are based on the most recent actuarial funding valuations, carried out at 31 December 2014. The funding valuation results were projected forward to 31 December 2015 and adjusted for changes to actuarial assumptions and the occurrence of significant events and experience. The amounts have been fully implemented in the accounts in accordance with the requirements of Section 28 FRS 102.

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-2015 %	Dec-2014 %
Rate of increase in salaries	2.00*	1.50
Rate of increase in pensions in payment	0.00	0.00
Discount rate	2.60	2.30
Revaluation	0.00	0.00
Inflation assumption	1.50	1.30

Long-term expected rates of return at financial year end are:	Dec-2015 %	Dec-2014 %
Equities	2.6	2.3
Fixed interest	2.6	2.3
Property	2.6	2.3
Other	2.6	2.3

*3% for 2016 and 2.0% thereafter

22. Retirement benefit schemes (continued)

Weighted average life expectancy for mortality tables used to determine benefit obligations at	Dec-2015	Dec-2014
Member age 65 (current life expectancy)	23.8	23.5
Member age 40 (life expectancy at age 65)	26.6	26.5

The assets in the pension scheme at market value were:	Dec-2015 €m	Dec-2014 €m
Equities	94.1	92.0
Fixed interest	53.4	68.6
Property	2.4	2.1
Other	63.5	37.4
Total market value of assets	**213.4**	**200.1**
Present value of scheme liabilities	(219.8)	(219.1)
Deficit in the scheme	**(6.4)**	**(19.0)**
Unfunded health insurance premium provision	–	–
Net retirement benefits deficit	**(6.4)**	**(19.0)**
Related deferred tax asset	0.8	2.4
Net retirement benefit liability	**(5.6)**	**(16.6)**

Profit and loss account	Dec-2015 €m	Dec-2014 €m
Charged to net operating expenses		
Retirement benefits		
Current service cost	(5.2)	(4.6)
Death in service cost	(0.6)	(0.6)
Other retirement benefits		
Charge to profit & loss	**(5.8)**	**(5.2)**
Curtailment gain	–	–
Settlement gain	–	0.6
Interest in scheme liabilities	(5.0)	(8.5)
Expected return on scheme assets	4.7	8.4
Past service credit	0.1	0.2
Total financing credit/(charge)	–	–
Net change in operating result	**(6.0)**	**(4.5)**

22. Retirement benefit schemes (continued)

Statement of total recognised gains and losses	Dec-2015 €'m	Dec-2014 €'m
Actual return less expected return on scheme assets	2.5	17.0
Experience gains and losses on scheme liabilities	9.8	(1.1)
Changes in demographic and financial assumptions	(0.9)	0.9
Actuarial gain	**11.4**	**16.8**
Deferred tax	(1.6)	(2.4)
Total actuarial gain	**9.8**	**14.4**

Movement in net deficit during the financial year	Dec-2015 €'m	Dec-2014 €'m
Net deficit in scheme at start of year	(16.6)	(33.8)
Current service cost	(5.2)	(4.6)
Death in service cost	(0.6)	(0.6)
Past Service credit	0.1	0.2
Contributions	7.1	7.3
Interest on scheme liabilities	(5.0)	(8.5)
Expected return on scheme assets	4.7	8.4
Curtailment gain	–	–
Settlement gain	–	0.6
Actuarial loss	11.4	16.8
Other retirement benefits	–	–
Deferred tax	(1.6)	(2.4)
Net deficit at end of financial year	**(5.6)**	**(16.6)**

History of experience gains and losses	Year ended Dec-2015	Year ended Dec-2014	Year ended Dec-2013	Year ended Dec-2012	Year ended Dec-2011
Difference between expected and actual return on assets	2.5	17.0	1.7	8.9	(12.6)
% of scheme assets	1%	9%	1%	6%	(10%)
Experience (losses) and gains on scheme liabilities	9.9	(1.1)	(1.7)	(4.4)	(2.3)
% of scheme liabilities	4%	(1%)	(1%)	(2%)	(1%)
Total actuarial (loss)/gain	9.8	14.4	(0.5)	(25.0)	(20.4)
% of scheme liabilities	4%	7%	(0%)	(13%)	(13%)

23. Subordinated Debt

Vhi Group Limited, a subsidiary company of the Vhi Board, raised subordinated debt of €90m for a term of 7 years at a rate of interest of 9% per annum.

24. Other Income

This is income generated by subsidiary companies of which the Vhi Board is the ultimate parent.

	2015 €'m	2014 €'m
Other Income	27.8	20.1
	27.8	**20.1**

25. Other Expenses

This relates to interest expense as well as expenses associated with provision of services to clients by subsidiary companies of which the Vhi Board is the ultimate parent.

	2015 €'m	2014 €'m
Other interest expense	4.9	–
Expenses from subsidiary companies	17.2	15.2
	22.1	**15.2**

26. Capital management

The objective of Vhi in managing its capital is to ensure that it will be able to continue as a going concern and maintain a prudent level of capital which will not compromise its ability to meet its current or future commitments to policyholders. The capital structure of the Vhi group consists of retained earnings and subordinated debt. Reinsurance is also used as part of capital management.

Vhi Insurance DAC is a member of the Vhi group of companies and was in compliance with regulatory capital requirements imposed since being authorised by the Central Bank of Ireland as an insurance undertaking on 31 July 2015.

Vhi Insurance DAC is subject to externally imposed capital requirements by the Central Bank of Ireland. Under the prevailing regulatory requirements at year end 2015 the required capital is determined by the application of percentages to premiums, claims and reserves. Vhi Insurance DAC has fully complied with all externally imposed capital requirements since becoming authorised on the 31 July 2015.

The Board is satisfied that the introduction of the new EU Solvency Directive (referred to as 'Solvency II') which became effective on 1 January 2016 will not materially alter its ability to meet its financial resource requirements.

During 2015, Vhi enhanced its capital base through raising subordinated debt as well as adopting and implementing a new Capital Management Policy.

The table below sets out the capital that is managed by Vhi Board:

	Capital resources for consolidated Board €'m
Reserves at 1 Jan 2014 (Note 29)	**397.4**
Surplus for the financial year	54.5
Actuarial Gain for the financial year	14.4
Capital resources at 31 Dec 2014	**466.3**
Surplus for the financial year	45.5
Actuarial gain for Dec 2015	9.8
Subordinated Debt	90.0
Capital resources at 31 Dec 2015	**611.6**

27. Financial risk management

The Vhi Board operates an enterprise risk management system across the group to monitor and manage risks including financial risks. These risks include market risk (interest rate risk, price risk and currency risk), credit risk and liquidity risk.

The Board does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Fair value
Fair value is the amount for which an asset or liability could be exchanged between willing parties in an arm's length transaction.

The table below shows financial assets and liabilities carried at fair value through profit or loss (as disclosed in note 7) grouped into Level A to C based on the degree to which the fair value is observable.

	2015 €'m			
	Level A	Level B	Level C	Total
Shares and other variable yield securities in unit trusts	1.7	–	4.2	5.9
Debt securities and other fixed income securities	1,118.3	–	–	1,118.3
Financial assets	**1,120.1**	**–**	**4.2**	**1,124.2**

	2014 €'m			
	Level A	Level B	Level C	Total
Shares and other variable yield securities in unit trusts	28.8	–	4.2	32.9
Debt securities and other fixed income securities	1,077.7	–	–	1,077.7
Financial assets	**1,106.5**	**–**	**4.2**	**1,110.6**

Market risk
Market risk is the risk of adverse financial impact as a consequence of market movements such as currency exchange rates, interest rates and other price changes. Market risk arises due to fluctuations in both the value of assets held and the value of liabilities. The objective of the Board in managing its market risk is to ensure risk is managed in line with the Board's risk appetite.

The Board has established policies and procedures in order to manage market risk and methods to measure it.

There were no material changes in the Board's market risk exposure in the financial year nor to the objectives, policies and processes for managing market risk.

i. Foreign currency risk management
The Board's financial assets and its insurance contract liabilities are denominated in Euro and therefore have no foreign exchange risk.

ii. Interest rate risk management
Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate risk arises primarily from the Board's investment in quoted debt securities and deposits. The risk is managed by the Board by limiting the maturity of instruments which the portfolio invests in and closely matching the outstanding duration of its assets to its liabilities. The Board has no significant concentration of interest rate risk at the balance sheet date.

The sensitivity analyses below have been determined based on the exposure to interest rates for fixed interest rate financial instruments at the balance sheet date.

	Pre-tax surplus		Shareholder's equity	
	2015 €m	2014 €m	2015 €m	2014 €m
0.5% increase in interest rates	(0.9)	(1.0)	(0.8)	(0.9)
0.5% decrease in interest rates	0.9	1.1	0.8	0.9

The Vhi group's sensitivity to interest rate fluctuations has not changed significantly over the financial year.

27. Financial risk management (continued)

iii. Other price risk management

The Vhi group is exposed to price risk arising from fluctuations in the value of financial instruments as a result of changes in the market prices and the risks inherent in all investments. The Board has no significant concentration of price risk. The risk is managed by the Board by investing primarily in listed fixed income securities; maintaining an appropriate mix of investment instruments, limiting the maturity profile of fixed interest securities and matching liabilities by outstanding duration and type.

The Vhi group's sensitivity to a 0.5% increase and decrease in market prices is as follows:

	2015 €'m	2014 €'m
0.5% increase		
Movement in fair value of shares and other variable yield securities in unit trusts	–	0.2
Movement in fair value of debt securities and other fixed income securities	3.8	4.2
0.5% decrease		
Movement in fair value of shares and other variable yield securities in unit trusts	–	(0.2)
Movement in fair value of debt securities and other fixed income securities	(3.8)	(4.2)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. The key areas of exposure to credit risk for the Vhi group are in relation to its investment portfolio, reinsurance programme and amounts due from policyholders and other 3rd parties.

The objective of the group in managing its credit risk is to ensure risk is managed in line with the Board's risk appetite. The group has established policies and procedures in order to manage credit risk and methods to measure it.

There were no material changes in the group's credit risk exposure in the financial year nor to the objectives, policies and processes for managing credit risk.

Financial assets are graded according to current credit ratings issued. AAA (or equivalent) is the highest possible rating. Investment grade financial assets are classified within the range of AAA to BBB ratings. Financial assets which fall outside this range are classified as speculative grade.

Credit rating information is sourced from independent rating agencies where available. Where not available, the Board uses other publicly available financial information and its own trading records to rate its major financial counterparties.

The group's exposure and the credit ratings of its counterparties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Risk Management and Compliance Committee annually. Our reinsurance contract is on a funds withheld basis which mitigates the counterparty risk with this counterparty.

Receivables consist of a large number of policyholders and their financial condition is subject to ongoing credit evaluation.

The Board's reinsurer has a credit rating of AA+. The Board has assessed this credit rating as being sufficient to meet its risk appetite.

The carrying amount of financial assets and reinsurance assets recorded in the financial statements, which is net of impairment losses, represents the group's maximum exposure to credit risk.

The group monitors the credit risk in relation to its investment portfolio and reinsurance programme by monitoring external credit ratings for the investment assets held by the group on a monthly basis. The following table shows aggregated credit risk exposure for assets with external credit ratings.

The majority of debt securities are investment grade and the Board has limited exposure to below investment grade securities.

Reinsurance assets are reinsurers' share of outstanding claims, claims incurred but not reported (IBNR) and reinsurance receivables.

27. Financial risk management (continued)

Loans and receivables from policyholders, agents, intermediaries and other 3rd parties generally do not have a credit rating.

The following table shows aggregated credit risk exposure for assets with external credit ratings.

	2015 €'m				
	AAA < < A+	A+ < < BBB	< BBB	Not rated	Carrying Amount
Debt securities	560.8	186.5	–	–	747.3
Other investments	1.7	–	–	4.2	5.9
Reinsurers' share of outstanding claims and IBNR and reinsurance receivables	–	–	–	320.3	320.3
Insurance receivables	–	–	–	413.3	413.3
Other debtors	–	–	–	278.0	278.0
Deposits	250.7	118.8	1.5	–	371.0
Accrued Interest	9.0	1.4	–	–	10.4
Cash and cash equivalents	–	–	38.0	–	38.0

	2014 €'m				
	AAA < < A+	A+ < < BBB	< BBB	Not rated	Carrying Amount
Debt securities	348.7	458.1	13.7	13.1	833.6
Other investments	28.8	–	–	4.2	33.0
Reinsurers' share of outstanding claims and IBNR and reinsurance receivables	–	–	–	495.5	495.5
Insurance receivables	–	–	–	417.4	417.4
Other debtors	–	–	–	263.3	263.3
Deposits	73.1	84.7	84.7	–	242.5
Accrued Interest	3.3	8.9	1.1	–	13.3
Cash and cash equivalents	–	–	21.3	–	21.3

27. Financial risk management (continued)

The following table shows the carrying value of assets that are neither past due nor impaired, the ageing of assets that are past due but not impaired and assets that have been impaired. The factors considered in determining that the value of the assets have been impaired were: analysis of impairment, ageing of balances, past loss experience, current economic conditions and other relevant circumstances.

	2015 €'m						
	Neither past due nor impaired	Past due less than 30 days	Past due 31 to 60 days	Past due 61 to 90 days	Past due more than 90 days	Past due and impaired	Carrying amount
Debt securities and other fixed income securities	747.3	–	–	–	–	–	747.3
Other investments	5.9	–	–	–	–	–	5.9
Reinsurers' share of outstanding claims and IBNR and reinsurance receivables	320.3	–	–	–	–	–	320.3
Insurance receivables	410.3	0.2	1.2	0.8	0.8	–	413.3
Other debtors	278.0	–	–	–	–	–	278.0
Deposits	371.0	–	–	–	–	–	371.0
Accrued Interest	10.4	–	–	–	–	–	10.4
Cash and cash equivalents	38.0	–	–	–	–	–	38.0

	2014 €'m						
	Neither past due nor impaired	Past due less than 30 days	Past due 31 to 60 days	Past due 61 to 90 days	Past due more than 90 days	Past due and impaired	Carrying amount
Debt securities and other fixed income securities	833.6	–	–	–	–	–	833.7
Other investments	32.9	–	–	–	–	–	32.9
Reinsurers' share of outstanding claims and IBNR and reinsurance receivables	495.5	–	–	–	–	–	495.5
Insurance receivables	400.7	0.2	1.2	0.8	7.7	–	417.4
Other debtors	263.3	–	–	–	–	–	263.3
Deposits	242.5	–	–	–	–	–	242.5
Accrued Interest	13.3	–	–	–	–	–	13.3
Cash and cash equivalents	21.3	–	–	–	–	–	21.3

Liquidity risk management

Liquidity risk is the risk that the group cannot meet its obligations associated with financial liabilities as they fall due. The group has adopted an appropriate liquidity risk management framework for the management of the group's liquidity requirements.

The group is exposed to liquidity risk arising from clients on its insurance contracts. The group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring that the maturity profile of its financial assets is in line with the maturity profile of its liabilities and by maintaining appropriate liquidity buffers at all times.

In practice, most of the group's assets are marketable securities which could be converted to cash when required.

27. Financial risk management (continued)

There were no material changes in the group's liquidity risk exposure in the financial year nor to the objectives, policies and processes for managing liquidity risk.

The following table shows details of the expected maturity profile of the group's undiscounted obligations with respect to its financial liabilities and estimated cash flows of recognised insurance and participating investment contract liabilities. Unearned premiums are excluded from this analysis. The table includes both interest and principal cash flows.

	2015 €'m					
	Less than 1 month	1–3 months	3 months to 1 year	1–5 years	5+ years	Total
Insurance contract liabilities	147.0	156.9	178.7	65.9	0.5	549.0
Trade and other liabilities	220.3	34.8	1.6	–	–	256.7

	2014 €'m					
	Less than 1 month	1–3 months	3 months to 1 year	1–5 years	5+ years	Total
Insurance contract liabilities	176.4	187.7	213.9	70.1	0.5	648.6
Trade and other liabilities	224.0	31.5	–	–	–	255.5

28. Insurance risk management

Assumptions and sensitivities

The risks associated with the health insurance contracts are subject to a number of variables. Vhi uses several statistical and actuarial techniques based on past claims development experience. This includes indications such as average claims cost, ultimate claims numbers and expected loss ratios. The key methods used by the Vhi Board for estimating liabilities are:

(i) chain ladder;

(ii) estimated loss ratio;

(iii) average cost per claim; and

(iv) Bornhuetter-Ferguson.

The Vhi Board considers that the liability for health insurance claims recognised in the balance sheet is adequate. However, actual experience will differ from the expected outcome.

Some results of sensitivity testing are set out below, showing the impact on surplus before tax and shareholders' equity gross and net of reinsurance. For each sensitivity, the impact of a change in a single factor is shown, with other assumptions unchanged.

	Pre-tax surplus		Shareholder's equity	
	2015	2014	2015	2014
5% increase in loss ratios				
Gross	(71.4)	(72.6)	(62.5)	(63.5)
Net	(50.0)	(51.1)	(43.7)	(44.8)
5% decrease in loss ratios				
Gross	71.4	72.6	62.5	63.5
Net	52.2	29.0	45.7	25.4

The Vhi Board's method for sensitivity testing has not changed significantly from the prior financial year.

28. Insurance risk management (continued)

Claims development tables

The following tables show the development of claims over a period of time on both a gross and net of reinsurance basis. The top half of the table shows how the estimates of total claims for each accident year develop over time. The lower half of the table reconciles the cumulative claims to the amount appearing in the balance sheet.

The below tables show the information for 2014 and 2015 only as information pertaining to prior years is not available due to underlying methodology changes in the reserving process.

Analysis of claims development – Gross	2014 €'m	2015 €'m	Total €'m
Estimate of ultimate's			
End of accident year	1,478.7	1,459.1	
One year later	1,326.1	–	
Current estimate of ultimate claims	1,326.1	1,459.1	
Cumulative payments	1,247.6	1,023.0	
In balance sheet	**78.5**	**436.1**	**514.6**
Provision for prior Accident Years (2013 & Prior)			34.4
Liability in balance sheet			**549.0**

Analysis of claims development – Net of Reinsurance	2014 €'m	2015 €'m	Total €'m
Estimate of ultimate's			
End of accident year	605.9	1,026.5	
One year later	532.7	–	
Current estimate of ultimate claims	532.7	1,026.5	
Cumulative payments	499.0	716.1	
In balance sheet	**33.7**	**310.4**	**344.1**
Provision for prior Accident Years (2010 & Prior)			28.5
Liability in balance sheet			**372.6**

29. Explanation of transition to FRS 102 and 103

This is the first financial year that the Vhi Board has presented its financial statements in accordance with Financial Reporting Standards 102 and 103 (FRS 102 & 103) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under previous Irish GAAP were for the financial year ended 31 December 2014 and the date of transition to FRS 102 was therefore 1 January 2015. As a consequence of adopting FRS 102 & 103, a number of accounting policies have changed to comply with these standards.

Reconciliation of equity for Consolidated Board	**Consolidated €'m**
Equity reported under previous Irish GAAP at 31 Dec 2013	388.9
Adjustments to equity on transition to FRS 102/103	
Allowance for doubtful debts	5.0
Investment valuation	3.8
Tax impact	(0.3)
Equity reported under FRS 102 & 103 at 1 Jan 2014	**397.4**
Surplus reported under previous Irish GAAP for 31 Dec 2014	49.8
Actuarial gain reported for 31 Dec 2014	14.4
Adjustments to equity on transition to FRS 102/103	
Allowance for doubtful debts	5.0
Investment valuation	0.5
Tax impact	(0.9)
Equity post FRS 102 & 103 adjustments at 31 Dec 2014	**466.3**

Change in accounting policies under FRS 102

- The basis for providing for doubtful debts was changed to use historical trend analysis as compared with a fixed percentage of premiums.
- Historically the Investments were valued using the Amortised Cost method. This was replaced under FRS102 by valuing the Investments under the Fair Value method. See new accounting policy disclosed in Note 1 to the accounts.
- The tax impact under FRS102 allocates the tax charge for 2014 to the profit and loss account for 2014 with the prior year adjustments being reflected in the opening reserves.

Reconciliation of profit and loss account for Consolidated Board 2014	**At 31 December 2014 €'m**
Surplus for the entire financial year under previous Irish GAAP	49.8
Adjustments to equity on transition to FRS102/103	
Bad Debt Provision	5.0
Investment valuation	0.5
Tax impact	(0.9)
Surplus for the financial year under FRS 102/103	**54.5**

Explanation of impact to profit and loss account for 2014

- The change in the allowance for doubtful debts resulted in a release of surplus funds to the 2014 profit and loss account.
- The movement from amortised value to fair value resulted in a change in investments being reflected in the profit and loss account for 2014.
- The tax impact reflects the impact of these transactions to the 2014 period.

30. Subsequent events

There have been no significant subsequent events affecting the Vhi Board or any of its subsidiary companies since the balance sheet date.

31. Legal cases disclosure

The Vhi Board is satisfied that there are no material legal cases pending.

32. Subsidiary undertakings

The Vhi Board is the parent company of Vhi Group Limited and the ultimate parent company of Vhi Insurance DAC, Vhi Healthcare Limited, Vhi Group Services Limited, Vhi Investments Limited, Vhi Health Services Limited, Vhi Occupational Health Limited and Vhi RI Limited.

Vhi Group Limited is the holding company for the Vhi group companies and the Vhi Board holds 100% of the shares in Vhi Group Ltd. Vhi Group Limited holds 100% of the shares of the other subsidiary companies shown in the table below. Vhi Group Limited is an Irish registered company with a registered address at Vhi House, 20 Lower Abbey Street, Dublin 1.

Investment in subsidiaries	Country of Incorporation	Registered Address	Nature of Business	Holding by Vhi Group Limited	%
Vhi Investments Limited	Ireland	Vhi House, 20 Lower Abbey Street, Dublin 1	Holds Joint arrangement	€1	100
Vhi Group Services Limited	Ireland	Vhi House, 20 Lower Abbey Street, Dublin 1	Shared Services	€1	100
Vhi RI Limited	Ireland	Vhi House, 20 Lower Abbey Street, Dublin 1	Non Trading	€1	100
Vhi Insurance DAC	Ireland	Vhi House, 20 Lower Abbey Street, Dublin 1	Insurance	€5,000,000	100
Vhi Healthcare Limited	Ireland	Vhi House, 20 Lower Abbey Street, Dublin 1	Retail Intermediary	€1	100
Vhi Occupational Health Limited	Ireland	Vhi House, 20 Lower Abbey Street, Dublin 1	Occupational health	€1	100
Vhi Health Services Limited	Ireland	Waverly Office Park, Old Naas Road, Dublin 12	Provision of health services	€700	100

33. Related party transactions

As with many other entities, the Voluntary Health Insurance Board deals in the normal course of business with other Government sponsored agencies, including the Health Service Executive through the public hospitals and with Government owned financial institutions. The Minister for Health also appoints the Board Members. Transactions with other Government related parties therefore include claims and other expense payments, banking and investment transactions. Details of such transactions are not disclosed separately as it is the view of the Board that it would not constitute information useful to the readers of the financial statements.

Interests of Board Members and Secretary
The Board Members had no beneficial interest in the Voluntary Health Insurance Board or its subsidiaries at any time during the year. Please see note 32 for interests in subsidiary undertakings.

The total remuneration of the Vhi Board key management personnel for the financial year ending 31 December 2015 totalled €2.6m (2014: €2.0m), of which remuneration disclosed in Note 8 comprises €1.1m (2014: €0.5m).

Intra group transactions
There are a number of intra group transactions within the Vhi Group which are described below:

- The Vhi Board is the administrator of the Vhi Group Pension fund and as such has intra group transactions regarding the pension fund with Vhi Group Services Ltd, Vhi Insurance DAC, Vhi Health Services Ltd and Vhi Healthcare Ltd. There were no outstanding balances in the accounts of the Vhi Board at 31 December 2015.
- Vhi Group Ltd is the holding company for the Vhi Group. Vhi Group Limited has an intra group loan agreement in place with Vhi Insurance DAC.
- Vhi Insurance DAC is authorised by the Bank to sell approved non-life Insurance products for specific classes of business. Vhi Insurance DAC has an Agency agreement in place with Vhi Healthcare Ltd (regulated as a Retail Intermediary by the Bank) to sell and administer its policies.
- Vhi Health Services Limited provides home infusion and related services. Vhi Health Services Limited provides services to the other Vhi group companies.
- Vhi Investments Limited holds the investment in the joint arrangement with Centric Health. This company has related party transactions with other companies within the Vhi group.
- Vhi Group Services Limited is a shared service provider for the Vhi group companies and as such has transactions with the other entities within the Vhi group.

SUPPLEMENTARY INFORMATION

Risk Equalisation Scheme (rate change from March 2016 onwards)

Contract Type	Non-Advanced		Advanced	
Community Rating Levy	**Adult €202**	**Child €67**	**Adult €403**	**Child €134**
Risk Equalisation Premium Credits	**Male**	**Female**	**Male**	**Female**
60–64	€0	€0	€0	€0
65–69	€575	€375	€1,125	€800
70–74	€900	€675	€1,800	€1,300
75–79	€1,175	€850	€2,550	€1,900
80–84	€1,550	€1,100	€3,375	€2,375
85+	€1,775	€1,250	€4,150	€2,775

Note: A hospital bed utilisation payment of €90 is paid in respect of each night spent in private or public hospital accommodation by an insured person, along with day case payment of €30.

Risk Equalisation Scheme (rate change from 01 March 2015 to 28 February 2016)

Contract Type	Non-Advanced		Advanced	
Community Rating Levy	**Adult €240**	**Child €80**	**Adult €399**	**Child €135**
Risk Equalisation Premium Credits	**Male**	**Female**	**Male**	**Female**
60–64	€200	€150	€425	€300
65–69	€525	€350	€1,075	€725
70–74	€825	€600	€1,750	€1,200
75–79	€1,025	€800	€2,250	€1,700
80–84	€1,475	€1,025	€2,975	€2,125
85+	€1,750	€1,125	€3,725	€2,475

Note: A hospital bed utilisation payment of €90 is paid in respect of each night spent in private or public hospital accommodation by an insured person.

Risk Equalisation Scheme (rate change from 01 March 2014 to 28 February 2015)

Contract Type	Non-Advanced		Advanced	
Community Rating Levy	**Adult €290**	**Child €100**	**Adult €399**	**Child €135**
Risk Equalisation Premium Credits	**Male**	**Female**	**Male**	**Female**
60–64	€250	€200	€450	€325
65–69	€575	€400	€1,150	€775
70–74	€925	€625	€1,850	€1,200
75–79	€1,200	€950	€2,500	€1,925
80–84	€1,575	€1,150	€3,200	€2,250
85+	€1,975	€1,325	€4,000	€2,725

Note: A hospital bed utilisation payment of €60 is paid in respect of each night spent in private or public hospital accommodation by an insured person.

ENERGY MANAGEMENT AND SUSTAINABILITY

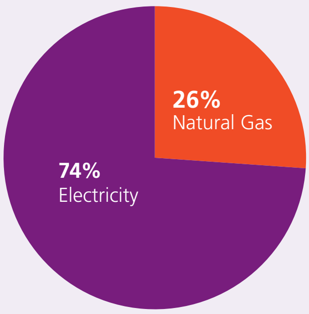
In 2015 Vhi Healthcare consumed **5,082,775 kWh** of energy, consisting of:

3,804,911 kWh of electricity
The main energy users of electricity include:

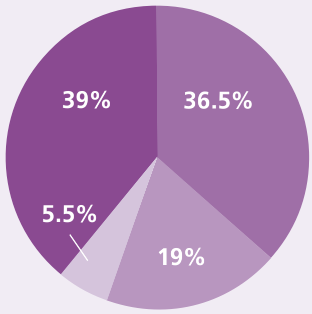
- Office power/data centres **39%**
- General services/air conditioning **36.5%**
- Lighting **19%**
- Kitchen **5.5%**

1,277,864 kWh of fossil fuel (natural gas)
The main energy users of natural gas include:

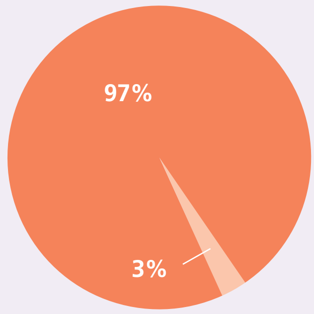
- Space Heating and hot water services **97%**
- Kitchen **3%**



ENERGY USAGE



ELECTRICITY USAGE



NATURAL GAS USAGE

Actions Undertaken in 2015 include:

- **Heating, Ventilation and Air Conditioning**
  Improved building energy management control strategies for heating, ventilation and air conditioning in Vhi Healthcare premises in Abbey Street.
- **ICT**
  Server virtualisation and Implemented ICT energy efficient power management for computers and office equipment.

Actions undertaken in 2015, together with existing energy conservation measures, provided:

– estimated total annual electricity energy savings of 126,000kWh; and
– reduced the environmental impact of energy use by 47,000kg CO_2.

Actions Planned for 2016 include:

- **Heating, Ventilation and Air Conditioning**
  Review and improved building energy management control strategies for heating, ventilation and air conditioning in Vhi Healthcare Kilkenny.
- **Energy Efficient Design Study**
  Undertake exemplar energy efficient design study for Vhi Healthcare Abbey Street office development.
- **Energy Monitoring and Targeting**
  Implement energy monitoring and targeting for all Vhi Healthcare premises. Upgrade and extend the automatic energy monitoring and targeting for Vhi Healthcare Kilkenny.
- **Energy Management Programme**
  Develop and review the Vhi Healthcare Energy Management Programme for all Vhi premises. Review, upgrade and implement the Vhi energy action plan.

Actions planned for 2016 are estimated to provide:

– total estimated annual energy savings of 250,000kWh.

COMPANY DETAILS

Offices Open
10am–4pm
Monday–Friday

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Lines Open
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9am–3pm Saturday

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Auditors
Deloitte

Solicitors
McCann FitzGerald

Consulting Actuaries
Towers Watson