Vhi Annual Report and Accounts 2017

PUTTING OUR CUSTOMERS FIRST FOR 60 YEARS

Contents

Mission

Vision

Values

To fundamentally change **how healthcare is delivered for our customers**

To help our customers live **longer, stronger, healthier lives**

Customer Driven, Integrity, Courage Empowerment, Innovation

Board of Directors

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 Irish 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.

John O'Dwyer, Chief Executive

John O'Dwyer joined Vhi in 2012 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 which included roles such as Managing Director of Friends First Life Assurance, Director of Operations at BUPA Ireland and Assistant Chief Executive with responsibility for Claims in Vhi. He was also non-executive Chairman of the Board of the National Treatment Purchase Fund.

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 Chair of the St. John of God Research Foundation.

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.

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 until 2016 a member of the insurance and reinsurance stakeholder group of the European Insurance and Occupational Pensions Authority. He was 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.

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 appointed to the board of Ervia in 2015 and has also held a number of senior roles in the telecommunications sector including eircom and Vodafone.

Finbar Lennon

Finbar Lennon is a medical graduate of UCD and did his postgraduate surgical training in London, Edmonton (Canada) and Dublin. He worked as a consultant general surgeon in Our Lady of Lourdes Hospital, Drogheda (1983–2012). From 2009 until 2012 he also worked in Beaumont and the Mater hospitals in Dublin as a specialty breast surgeon. He was Medical Director in Drogheda (1992–1998), Medical Advisor to the North Eastern Health Board (1997–2004) and a medical advisor to the Secretary General in Department of Health (2012–2014). He is currently an honorary lecturer in Surgery in UCD and participates in the undergraduate teaching programme. He is a member of the Professional Conduct Committee of the Pharmaceutical Society of Ireland and served on its Practice Development Committee (2012–2016).

Declan Moran

Declan Moran joined Vhi in 1997 from the life and pensions industry and was appointed to the Vhi Board of Directors in 2008. From November 2011 to July 2012, he served as Acting Chief Executive, Vhi. He is responsible for Marketing, Vhi's product portfolio and the development of new products and services. Declan has a BSc in Computer Science and is a Fellow of the Institute of Actuaries since 1994.

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.

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, Jigsaw and Joe Duffy Motors. Greg has served on the Boards of The Irish Times and eircom and chaired the Coombe Hospital for a number of years.

Brian Walsh

Brian Walsh joined Vhi in November 2014 as Finance Director and was appointed to the Board in March 2015. Prior to joining Vhi, he was divisional Chief Financial Officer with DPI Specialty Foods Inc., Los Angeles, a division of global food and ingredients company Ornua. Previously, Brian led a successful international private equity fund, focused principally on Central and Eastern European markets.
He has held Board and senior financial and commercial roles in the international financial services, telecommunications and FMCG industries in Europe and the United States with leading companies including Citibank, Deutsche Telekom and eircom. Brian is a Fellow of Chartered Accountants Ireland, having qualified with PricewaterhouseCoopers, and holds graduate and post-graduate degrees from University College Dublin.

Executive Management Team

John O'Dwyer, Chief Executive

John O'Dwyer joined Vhi in 2012 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 which included roles such as Managing Director of Friends First Life Assurance, Director of Operations at BUPA Ireland and Assistant Chief Executive with responsibility for Claims in Vhi. He was also non-executive Chairman of the Board of the National Treatment Purchase Fund.

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

Bernadette Carr is a physician with extensive clinical, research and healthcare management experience. She is accredited in both General and Geriatric Medicine and is on the Specialist Register of the Medical Council of Ireland. Bernadette has extensive training and experience in Management, Clinical Medicine and Epidemiology both in Ireland and internationally. Her qualifications include a Doctorate in Medicine from TCD, a Licentiate of the Faculty of Occupational Medicine, RCPI, a Masters in Public Health, Diploma in Practical Dermatology (Cardiff) and an Advanced Management Certificate from INSEAD. She was elected to Fellowship of the Royal College of Physicians in Ireland in 1996. She joined Vhi in 1994 and as Medical Director is responsible for medical policy, healthcare purchasing, provider reimbursement schedules, provider contract negotiations, and executive and clinical responsibility for Vhi Health Services.

John Creedon, Director, Claims

John Creedon has been a Director of Vhi since 1996 and prior to this he held a number of senior positions within Vhi. John is responsible for the overall service, administration and payment of claims in Vhi 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.

Aaron Keogh, Managing Director, Vhi Healthcare

Aaron Keogh is responsible for Sales, Retention and Customer Service for all of Vhi Healthcare's corporate and individual customers. Aaron joined Vhi in 2003 and has held a wide range of roles within the organisation primarily leading out Vhi Healthcare's award winning sales and customer service teams as well as a variety of roles in business analysis and digital service delivery. Aaron has an MSc in Strategic Management from Dublin Institute of Technology and a BSc in Software Systems Development from the National College of Ireland. He is a member of the Sales Institute of Ireland, the Insurance Institute of Ireland, Kilkenny Chamber of Commerce, and DIT Alumni Association.

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 had executive responsibility for 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.

Tim McKeown, Director, Strategy

As Director of Strategy, Tim is responsible for facilitating the development of Vhi's overall corporate strategy, leading strategic transformation programmes to support corporate development and innovation, with a particular emphasis on sustainable solutions to meet the future healthcare needs of our customers. Tim has held a number of other senior management positions since joining Vhi in 2000, including Director of Product & Business Development, CEO Vhi SwiftCare and head of the unit charged with developing our portfolio of diversified general insurance business lines. Prior to joining Vhi, he worked in Belgium for ten years in both the European Commission and the private sector. He holds a BA in Politics from UCD and an MA in European Policy UL.

Margaret Molony, Director, Information Technology

Margaret Molony has over 30 years' experience in Vhi 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. She was appointed Director, Information Technology in 2008. She is also a member of the International Insurance Federation and INSEAD Alumni Association.

Declan Moran, Director, Marketing and Business Development

Declan Moran joined Vhi in 1997 from the life and pensions industry and was appointed to the Vhi Board of Directors in 2008. From November 2011 to July 2012, he served as Acting Chief Executive, Vhi. He is responsible for Marketing, Vhi's product portfolio and the development of new products and services. Declan has a BSc in Computer Science and is a Fellow of the Institute of Actuaries since 1994.

Michael Owens, Director, Human Resources

Michael Owens joined Vhi 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 and he is a former Chair of 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.

Brian Walsh, Director, Finance

Brian Walsh joined Vhi in November 2014 as Finance Director and was appointed to the Board in March 2015. Prior to joining Vhi, he was divisional Chief Financial Officer with DPI Specialty Foods Inc., Los Angeles, a division of global food and ingredients company Ornua. Previously, Brian led a successful international private equity fund, focused principally on Central and Eastern European markets.
He has held Board and senior financial and commercial roles in the international financial services, telecommunications and FMCG industries in Europe and the United States with leading companies including Citibank, Deutsche Telekom and eircom. Brian is a Fellow of Chartered Accountants Ireland, having qualified with PricewaterhouseCoopers, and holds graduate and post-graduate degrees from University College Dublin.

60 YEARS MEETING THE HEALTHCARE NEEDS OF OUR CUSTOMERS

Customer Support

3,590,000

Via telephone, emails and webchats, the Vhi teams directly handled 3.59 million customer interactions in 2017.

Claims

1,040,000

Vhi processed 1,040,000 claims in 2017 including 769,000 inpatient and day-care claims and a further 271,000 outpatient and primary care claims.

My Vhi

319,000

Over 319,000 customers have registered with Vhi's MyVhi customer portal giving 24/7 access to policy documents, claims statements and member services.

Chairman's Review

I am pleased to present the annual report and accounts for the year ended 31st December 2017 the year in which Vhi celebrated 60 years in business. For the past six decades Vhi has met the healthcare needs of generations of people, helping them access best quality and best value private healthcare through our extensive range of healthcare products, services and partners.

Vhi has built a strong business over the years and today serves over 1.1 million customers across its insurance and healthcare offerings.

To enhance and support our health insurance offering, Vhi has also developed a range of ground-breaking healthcare services which includes Vhi SwiftCare Clinics, Vhi Hospital@Home and a range of health screening services, all of which are increasingly in demand from our customers and are well received. More and more of our customers are also choosing our other insurance products such as travel, dental and life policies, where they enjoy the value and service they expect from the trusted Vhi brand.

Vhi exists solely for the benefit of our customers. In 2017 we continued to build on our strong foundations enabled by another solid financial and operating performance. The Vhi Group earned profits after tax of €75.3m for 2017, a consequence of a solid underlying membership performance and an unrelenting focus on cost and financial management. The combined impact of these measures has enabled Vhi to further increase value for customers through the implementation of price reductions and benefit enhancements in 2017 and early 2018 reflecting our desire to drive innovation in the marketplace by improving the benefits delivered and keeping prices as affordable as possible for all our customers.

Vhi will continue to deliver on our strategic objectives in 2018, offering our customers a distinct healthcare proposition that meets their needs for convenient and affordable access to the best quality healthcare appropriate to their stage in life and healthcare requirements.

Over the last 12 months, we have continued to deliver exciting new innovations and benefits. We assumed sole ownership of the popular Vhi SwiftCare Clinics and dedicated this service to our customers. We also launched the Vhi Health Assistant mobile app to provide our customers with a new channel through which they can access our services. In support of our strategy of offering enhanced services across a greater geographic footprint, we brought our Vhi Hospital@Home service to Galway in September 2017 providing these services to Vhi customers in the West of Ireland. We also introduced a variety of product benefit enhancements for our individual and corporate customers, including greater cover in Vhi SwiftCare clinics and new wellness services for corporate customers. Vhi is focused on the continued expansion of our unique healthcare services, making them more accessible across Ireland.

Successfully delivering on our strategy has enabled us to increase our private medical insurance membership for each of the last three years. This growth comes against the backdrop of challenging market dynamics due to an ageing population, medical inflation, and community-rated market where the rules only partially compensate providers for insuring older and sicker customers.

During 2017, the Board reviewed and reaffirmed its commitment to our five year business strategy and believe that the strategic direction outlined will help position the organisation to better respond to our customers' changing health requirements. As part of this process we also reviewed our vision, mission and values to position the organisation to take a more pro-active role in shaping innovative, sustainable health and wellness solutions for our customers and to enable us deliver the vision of helping our customers live longer, stronger and healthier lives.

We continue to monitor our operating environment, analyse emerging trends and risks and continue to make progress executing our strategy through the implementation of a number of key initiatives and programmes more of which are outlined in the Operations Review. As industry leader we take our responsibilities seriously by promoting new models of care in healthcare delivery to drive efficiencies and new practices across the entire health system.

Need to Support the Community Rated Market

Vhi supports the Government Policy of Community Rating which means that everyone is charged the same price for the same health insurance product irrespective of their age or indeed how sick they are. For community rating to operate effectively a risk equalisation scheme is essential. Community Rated Health Insurance markets the world over are supported by very robust risk sharing systems. In Ireland the risk sharing scheme is overseen by the Health Insurance Authority (HIA) and is amended on a regular basis to reflect changes in market dynamics. This is necessary as the health insurance market is not static and the scheme should reflect the changing demographics and health needs of those it serves. The scheme is designed to be cost neutral, the HIA collects a levy for every insured person, puts this money in a central fund and then the amount collected is redistributed as tax credits to older and sicker customers regardless of which private health insurance company they are with. The levy is not inflationary, every cent collected is paid back to the customers and this is managed by the HIA which decides the basis for redistribution. The scheme is designed to facilitate access to health insurance for older and sicker customers. The sole beneficiaries of the "levy" are customers; neither the Government, nor the private health insurers benefit from the levy.

The objective of Community Rating and supporting regulation is to ensure access to affordable private healthcare for all. It costs more to deliver healthcare for older and sicker customers. In fact, older customers' healthcare needs can be up to 16 times more expensive than young adults and likewise costs for customers with chronic illnesses can be five times more expensive than healthier counterparts of all ages. Under the current risk equalisation scheme 32% of market premiums are now redistributed to support older and sicker customers. We believe that the Irish Private Health Insurance Market as a voluntary market must have a higher level of risk equalisation. Australia, for example, has a voluntary PMI market where 45% of market premiums are redistributed. Other PMI markets have even higher levels of risk equalisation transfers, where 55% of premiums in the Netherlands and 89% of premiums in Germany are redistributed. In Ireland at 32%, the cost of the provision of healthcare to older and sicker customers is only partially compensated and this places an unfair burden on older and sicker customers, regardless of their insurance provider. Therefore, the scheme requires continuous improvement and development to become fairer and more effective and to respond to Ireland's ageing population and the needs of people with chronic diseases.

The Irish private health insurance market is very competitive. The current level of plan proliferation across the market has in the main been caused by an inadequate risk equalisation scheme which has not sufficiently reduced the financial incentives for rewarding competition based on risk selection. Despite this, Vhi has, in recent years, made significant progress in managing its portfolio of plans where it has introduced new product suites and benefits whilst closing 37 plans. An improvement in risk equalisation would provide incentives for insurers to further reduce their number of plans and create a fairer market for all customers.

Chairman's Review (continued)

Government Policy on Healthcare

In May 2017, the Oireachtas Committee on the Future of Healthcare published Sláintecare, a 10 year strategy for healthcare and health policy in Ireland. A cross party report, this is the first time a consensus has been reached on a new model of healthcare to serve the Irish people over the next ten years. The Committee's agreed vision is for a universal single-tier health and social care system where everyone has equitable access to services based on need and not ability to pay. Vhi supports this principle and acknowledges that while there may be some impacts for the PMI market, our view is that this is in the national interest and has the potential to deliver better efficiencies and better healthcare outcomes for the Irish people.

Sláintecare envisaged that everyone will have an entitlement to a comprehensive range of primary, acute and social care services and that the vast majority of care will be provided in the primary and community settings. Shifting care out of hospitals and into the primary and community setting will in turn help address the challenge of access to our hospital system. Other measures set out by Sláintecare are also needed including waiting time guarantees for hospital care, expanded hospital capacity and the phased elimination of private care in public hospitals. Everyone will have the entitlement to access public care in public hospitals – those who have private health insurance will still be able to purchase care from private healthcare providers.

We welcome the fact that the Committee also recommended an independent impact analysis of the separation of private practice from the public system in order to identify any adverse and unintended consequences on the public system. We believe there may indeed be some unintended consequences and that the desired impact on access and cost reductions may not be achieved and have outlined these concerns as part of the public consultation currently underway.

The Sláintecare Report represents a new vision for the future of healthcare in Ireland and supports an integrated model of care. We believe such a model of healthcare has the potential to deliver efficiencies and improve patient outcomes.

Funding the Healthcare Needs of the Irish People into the Future

A recent ESRI report has confirmed that life expectancy in Ireland has increased by almost two and a half years since 2005 and is now above the average of the European Union. The most recent ESRI report on healthcare services is forecasting that demand for healthcare is projected to increase substantially through to 2030. The population of Ireland is projected to grow rapidly between 14 and 23 per cent in this time period. Of this, the share of the population aged over 65 is projected to increase from one in eight to one in six. The proportion of people over 85 is expected to double and demand for public hospital services, inpatient beds, and GP visits is expected to increase by 37%, 30% and 27% respectively. This means that radical new ways of meeting demand as well as additional investment will be required in most forms of healthcare to meet the needs of a rapidly growing and ageing population.

The cost of providing quality healthcare solutions is projected to rise exponentially and the private health insurance market will ultimately face a major affordability challenge if nothing changes. Some customers who currently have private health insurance will no longer be able to afford it.

Vhi has considered the demographic challenge, the current regulatory environment, and key market trends, and has taken a strategic decision to strengthen our position in our core private health insurance market in Ireland.

Research[1] has shown us that there is an appetite for change among our customer base and that people want a more efficient and effective healthcare system. Vhi has looked to international markets and our own National Policy objectives for best practice, and has identified several common characteristics required to deliver the highest quality of care for our customers in the most appropriate and cost-effective setting. These include the integration of hospitals and community-based programmes which work together to improve healthcare outcomes, close links between hospital and outpatient care, dedicated geriatric care for the frail and elderly, and pathways to reduce the dependence on acute hospital beds. Such solutions will only work if delivered within an affordable framework.

[1] Vhi commissioned market research agency, Behaviour & Attitudes to undertake qualitative research with representative groups of customers

At Vhi, we realise that each of our customers has needs and expectations that are unique to them. We are committed to meeting those needs by drawing on international expertise, by leveraging models that we know will work and by improving the personalisation of our service.

We will continue to invest in digital services and improve the ease with which our customers can access care whether in a primary care or a hospital setting whether as a day patient or an inpatient. We will continue to develop and enhance the range of services that we provide to our customers in line with our vision of helping our customers' live longer, stronger and healthier lives.

Board and Governance

The Board is committed to the highest standards of corporate governance. Vhi has put in place appropriate measures to comply with the Central Bank of Ireland's Corporate Governance Requirements for Insurance Undertakings 2015 and the Code of Practice for the Governance of State Bodies 2016. Adherence to these codes and to the values which Vhi has set for itself facilitates effective, prudent and ethical management that will deliver the long term success of the company, consistent with our statutory responsibilities.

In 2017 the Board completed an external Board evaluation of its own performance and that of its committees in order to monitor our effective corporate governance regime and to facilitate our further development and growth. My sincere thanks are due to my Board colleagues for their commitment and support during the year.

I would also like to thank the management team and staff in Vhi for their tremendous efforts across the entire business. The positive results achieved are the result of good team work right across the business. A combination of new innovative healthcare benefits and solutions for our customers, investments in our digital platforms and services, improved primary care benefits, reduced excesses, better cancer, cardiac, maternity and fertility care, and access to urgent care facilities means that we are delivering the right solutions to meet our customers' healthcare needs now and into the future.

Most importantly, I would like to thank our customers, who continue to believe in and trust us to meet their healthcare needs. My commitment to you is that we will continue to build on the foundations of the past 60 years to meet your and your families' healthcare needs for years and generations ahead.

L. Downey

Liam Downey
Chairman

60 YEARS PROVIDING OUR CUSTOMERS WITH INNOVATIVE PRODUCTS AND SERVICES

Vhi Screening

100,000

Vhi's accredited medical centres located in Dublin and Cork have completed over 100,000 medical screening and health check assessments since 2009. In 2017, 7,600 health screenings were completed in Vhi's medical centres and an additional 10,000 health screenings were completed onsite for corporate customers.

Vhi SwiftCare

83,000

83,000 people were treated in Vhi SwiftCare Clinics in Cork and Dublin in 2017. Our specialist walk-in urgent care clinics for Vhi customers treat minor injuries and illnesses within one hour and are open 365 days a year.

Vhi Hospital@Home

7,000

In 2017, Hospital@Home treated approximately 1,000 patients. Since 2010, over 7,000 Vhi customers were treated by our consultant-led hospital in the home service which allows patients to continue certain treatments in the comfort of their home, saving 90,000 hospital bed days and delivering €34 million in savings.

Operations Review

I am pleased to report that 2017 was another good year for Vhi Group. Our consolidated business reported a net surplus of €75.3m and capital reserves of €610.9m. For the third year in a row membership grew and claims amounted to €1.329bn. The business continues to perform well and is strongly capitalised.

We continue to drive innovation in the industry for the benefit of our customers and provide them with access to the latest treatments, medicines and technology in the most cost effective manner. Our aim is to provide our customers with timely access to the care they need.

Vhi's multi-year reinsurance contract was put in place as part of the authorisation programme and this contract expired at the end of 2017. Vhi also secured an additional €90m in subordinated debt as part of this process. During 2016 €38.9m of this loan was prepaid without penalty and as a result of the continued strong performance of the business through 2017, the balance of €51.1m was prepaid during 2017. The impact of this is the removal of the associated interest burden on our customers, one of a range of savings we have been able to pass to them through two consecutive price reductions.

2017 also saw continued growth in sales, for the third year in a row. Our PMI membership has grown and now stands at 1.075 million up from 1.069 million and this increase was supported by several factors including a range of benefit enhancements, investments in primary and minor injury care as well as continued investment in bringing our customers more affordable prices. The product and price changes introduced in 2017 and again in early 2018 are a continuation of Vhi's strategy over the past number of years to improve value by delivering the best medical and wellness care at the most affordable prices to all our customers. We recognise that affordability remains a key issue for our customers and Vhi is seeking to manage this by investing profits back into the provision of the best healthcare for all our customers, including our older and sicker customers many of whom have been with us for a considerable number of years.

Our multiline business, including Dental, Travel, International and Life, has also performed well and experienced sustained membership growth on all products. We now have close to 400,000 people insured across these businesses with many of our health insurance customers choosing to have other personal insurance needs met by Vhi.

A core element of Vhi's strategic vision is its commitment to offering our customers a unique healthcare proposition that meets their need for convenient and affordable access to the best quality care.

During 2017 Vhi Group took full ownership of the Vhi SwiftCare Clinics following the clearance in May 2017 by the Competition and Consumer Protection Commission (CCPC) and has begun a significant programme of new investment. We also improved access and reduced waiting times for our customers by making these clinics only available to Vhi customers with effect from 1st September 2017. We will continue to develop the services offered in the year ahead to meet the growing healthcare needs of our customers.

We also expanded our Vhi Hospital@Home service to Galway in September 2017, providing hospital-in-the-home services to Vhi customers in the West of Ireland supporting our strategy of offering enhanced services across a greater geographic footprint.

Key Financial Results

The key financial results for Vhi Group during 2017 were as follows:

- After tax results to 31 December 2017 showed a net surplus of €75.3m for Vhi's consolidated business activities compared with €56.4m in 2016.
- Gross earned premium for 2017 came to €1.480bn compared with €1.430bn in the previous year. PMI membership grew to 1.075 million (2016: 1.069 million) and income from insurance products and services other than private health insurance amounted to €27.8m during the year.
- At the end of December 2017, Vhi had capital reserves of €610.9m representing an increase of €52.7m or 9.4% compared with the previous year's position.
- Total gross claims paid in 2017 totalled €1.329bn, down 1.7% compared with €1.353bn in 2016, due to focused claims cost management and reduced public hospital healthcare costs while continuing our commitment to deliver access to high quality care to our customers.
- Vhi's operating expense ratio to premium income was 7.9% in 2017 and remains broadly in line with 2016 taking consideration of the significant business enhancements and regulatory responsibilities.

Funding the Healthcare Needs of Our Customers

During 2017 Vhi processed almost 1,040,000 claims meeting the healthcare needs of our customers. Of this, nearly 769,000 were for in-patient and day care claims while a further 271,000 were for outpatient and primary care claims. 80% of hospital claims related to day-case and side room settings and these accounted for just 30% of claims costs. Meanwhile, some 20% of claims were for patients who were admitted and kept overnight or longer, with these claims contributing to 70% of hospital claims costs.

The most significant areas of claims expenditure during 2017 were:

- Cancer & related care – €175.2m
- Heart & circulatory system – €148.5m
- Orthopaedic Care including hip, knee replacements etc – €143.6m
- Digestive system – €95.0m
- Respiratory illnesses – €60.4m
- Central Nervous system – €73.1m

(These figures are based on claims relating to admissions in 2017 and processed up to 19th January 2018).

Medical Innovations and Advancements

Vhi continues to provide our customers with access to the latest innovative medicines and technologies in the most cost effective manner. During the year several new high cost drugs and new indications were included in the Schedule of Benefits for Private Hospitals providing our customers with top quality healthcare. Also in 2017, benefit was provided for new treatments and methodologies which were approved for a wider range of conditions for cancer, cardiac and chronic pain management.

Vhi constantly monitors the transition of branded drugs to generic status in support of the provision of cost effective and high quality treatment for our customers. This is especially important as expensive medicines come off patent and generic substitutes are available at lower costs.

Operations Review (continued)

Chronic diseases such as cardiovascular disease, diabetes, cancer, musculoskeletal conditions, osteoporosis, asthma and chronic bronchitis represent some of the major health challenges in Europe today. 86% of deaths and 77% of disease burden are caused by chronic disease. Vhi has set itself an ambitious target of moving 10% of inpatient treatments relating to chronic disease into the community over the next 5 years. We believe this will deliver significant opportunities in containing healthcare costs in the future in addition to improving the patient's experience and healthcare outcomes.

Quality Initiatives and Cost Containment

Vhi Hospital@Home is a consultant led service offering Vhi customers an alternative option of hospital level care in the comfort of their own home which can facilitate early discharge from hospital or admission avoidance where appropriate for particular approved treatments. In 2017 Hospital@Home treated approximately 1,000 patients at home saving over 12,500 bed days. Since the service began in 2010 over 7,000 people have been treated, saving over 90,000 hospital bed days and delivering €34m in savings.

Vhi is the only private health insurer to have a Memorandum of Understanding (MoU) agreement with public hospitals. The Memorandum of Understanding which is in place since 2015 continues to deliver greater clarity and certainty for us through the early notification of claims. During 2017 the Memorandum of Understanding with public hospitals has contributed to an improved level of scrutiny and oversight of claims arising. In addition, in 2017 we embarked upon a patient awareness campaign to ensure that our customers understand their entitlements when entering a public hospital.

Our Special Investigation Unit (SIU) and utilisation review process also continued to perform well, recovering more than €26.6m, up 17% on 2016. This multidisciplinary team which includes certified fraud examiners, forensic accountants and other experienced investigative staff has grown and is delivering significant savings.

Snap & Send, the process which allows our customers to digitally submit day to day medical expenses using the Vhi Mobile App or website has proven popular with our customers. 54% of the total outpatient/primary care claims are now submitted for payment in this manner. We expect these figures will rise in 2018.

Delivering Quality Healthcare Solutions

An absolute priority for Vhi is to act as an advocate for the best care possible for our customers and in this regard we have embarked on a number of programmes to enable us to continue to do this.

In 2017 Vhi published for the first time the results of our Patients Experience Survey which showed that although Irish Hospitals are performing very well overall, there is room for improvement. The aim of the research is to provide clear, measurable indicators of the care received by patients in hospitals and to highlight where improvements can be made. Our aim is to use the results to encourage the delivery of better care and advocate for an improved health system that produces quality health outcomes for our customers. By measuring patient experience we can identify strengths and weaknesses across hospitals, drive quality improvements and provide valuable information to our customers to help inform their care choices.

Separately, we have commenced a programme of activity around Measuring Better Healthcare Outcomes and we are systematically collecting and analysing aggregate data from private hospitals in an effort to identify and communicate opportunities in the quality of care delivered to Vhi customers. Working with private hospitals, our aim is to build a solid platform through which Vhi can make better and informed decisions about our customer's future healthcare needs. We are also in the process of rolling out the collection of clinical quality indicators in private hospitals. This data will empower the customer and will serve as an incentive for all providers to seek to increase and maintain the overall standard of care provided.

Our Customer is Our Number 1 Priority

At Vhi, our goal has always been, and continues to be to offer our customers an enhanced customer experience. To ensure that they are getting quality healthcare and great value, we continue to drive innovation in the marketplace enhancing the benefits delivered and keeping prices as affordable as possible for our customers. In 2017 Vhi was very pleased to be in a position to give back to our customers through price reductions. Our solid business performance over the last number of years supported by another strong financial performance in 2017 enabled us to do this. At Vhi, any profits made are reinvested back into the business for the benefit of our customers.

Vhi is committed to investing in digital innovation, 2017 saw the expansion of our digital footprint into new tools and services for our customers. Since its launch in 2016, we have seen web chat interactions grow 18% year on year; the service was enhanced in 2017 with the introduction of authenticated web chat across both Vhi.ie and MyVhi. For our mobile-first customers, the Vhi Health Assistant app was launched in August 2017. The app provides Vhi customers access to online medical supports such as Online GP, One to One Midwife, NurseLine and a SwiftCare locator along with access to policy information and Snap & Send claiming. The response so far has been extremely positive and 2018 promises further app innovations.

Our social media presence continues to strengthen with the highest following in the industry in 2017 with over 45,000 Facebook followers and thousands of engagements per week. Following an innovative content approach, we have tackled topics which we feel are relevant to our customers and in 2017 we built one of Ireland's first Facebook Messenger Chatbots to support our customers on their running journeys.

2018 will continue to see acceleration in the development of new and intuitive services supported by digital innovations across all channels, delivering on our promise to our customers that when you need us we are there.

Sponsorship and CSR

Vhi believes it has a major role to play in helping to create a healthy society by supporting our customers when they are sick, but also by putting in place programmes to inspire people and to help them discover their healthiest self.

As part of this commitment, we have developed a long-term sponsorship strategy which promotes participative running and have partnered with two of the biggest and most inclusive running events in the country – the Vhi Women's Mini Marathon and parkrun Ireland.

2017 also marked our third year as title sponsor for the Vhi Women's Mini Marathon, and with it came a fresh creative approach and a new event ambassador, Amanda Byram alongside David Gillick. We championed the idea that "Running together is better with Vhi Healthcare" and launched a series of new digital, print and outdoor advertising to support this message.

In addition to our sponsorship activities, Vhi wanted to give back and build relationships with the local communities in which we operate with our brand vision of helping people to live longer, stronger, healthier lives in mind. To do this, we developed a pilot CSR programme called 'Run for Fun' with the Irish Youth Foundation designed to give young people living in disadvantaged areas the opportunity to also benefit from running.

Dublin GAA footballer Philly McMahon was involved in the development of the programme to engage with young people living in disadvantaged areas who attend Youth Groups in Cork, Dublin and Kilkenny. The mission of the 'Run for Fun' programme is to empower and build the self-esteem of young people through a fitness and nutrition programme with running at its heart. The programme culminated in each Youth Group taking part in their local 5km parkrun.

Diversified Business and other Vhi Health Services

At Vhi we are committed to continuously innovating and developing our portfolio of products and services. We currently provide a range of additional products and services for our customers including:

Vhi Travel

The continued economic performance and the increase in the number of customers travelling abroad have contributed to another strong year of growth for our MultiTrip product. We continued to introduce innovative new benefits to the market such as the addition of flight delay lounge access which allows customers to access the comfort of over 850+ Airport lounges should their flights be delayed for more than 2 hours.

Vhi International

Vhi International offers expatriate insurance cover for people who move abroad for more than six months. There has been an increase in customers purchasing the product with the addition of a number of new benefits, such as access to counselling services for customers that move abroad and a second Medical Opinion Service has been added in 2017.

Vhi Dental

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. With over 700 dentists on our dental network, we have ensured a geographic spread of dentists that allow customers have a seamless claims experience.

Operations Review (continued)

Vhi Life

In April 2017, Vhi celebrated our one year anniversary of entering the Life Insurance market in Ireland. Our original goal of making the product and process easy and simple to use for our customers has resonated with the market and we continue to build on this.

Vhi SwiftCare Clinics

The acquisition of Vhi SwiftCare and its switch to a Vhi customer service only on the 1st September 2017 has been an important part of the strong Vhi customer membership performance over the last half of 2017. During 2017 over 83,000 people were treated in Vhi SwiftCare Clinics for injuries and illnesses requiring urgent care.

Vhi Medical Screening

The Vhi Medical Centres are the only dedicated screening facility in Ireland with Joint Commission International (JCI) accreditation ensuring the highest of clinical standards is provided in every screening. Vhi completed its 100,000th medical screening test during 2017. With centres in Dublin and Cork, Vhi completed 7,600 health screenings in 2017, a 56% increase on 2016. Also, over 10,000 screenings were delivered to employees of Vhi corporate customers in 2017 through Vhi's onsite corporate screening programme.

Vhi Corporate Solutions

Vhi Corporate Solutions provides occupational health and Employee Assistance Programmes (EAP) to corporate clients. Under the EAP programme we supported 722 organisations and 287,000 service users in meeting their emotional wellbeing needs. There were also 16,203 calls to the helpline in 2017, which shows a 12.6% growth in call volumes compared to 2016. This led to 5,489 face to face counselling referrals which is an increase of 22.6% compared to 2016. Anxiety continues to be the most prevalent clinically assessed issue.

Conclusion

I am delighted to say that in 2017, our 60th year in business, we face the future with confidence. The culture of the business has always been to put our customers first and last year we reaffirmed this in our new mission, vision and values for the organisation, renewing our commitment to helping our customers live longer, stronger, healthier lives.

Vhi continues to bring change, drive innovation and trial new and better ways to deliver new services to our customers. Our commitment to our customers is to continue to facilitate access to quality healthcare at an affordable cost and we look forward to continuing this journey in the years ahead.

John O'Dwyer
Chief Executive

Key Financial Results

€1.48bn Gross Earned Premium

€1.329bn Gross Claims Paid

€75.3m After Tax Surplus

€611m Reserves

60 YEARS ADVANCING HEALTHCARE SERVICES FOR OUR CUSTOMERS

Vhi NurseLine 24/7

59,000

Vhi's NurseLine provides a team of qualified nurses who provide expert assessment services and advice, 24 hours a day, 365 days a year and supported over 59,000 calls from Vhi Customers in 2017.

Vhi Mobile Assistant App

45,000

45,000 customers have downloaded the Vhi Mobile Assistant App enabling more customers access healthcare support on the move. Over 50,000 people followed Vhi on social media channels. On Facebook we offer everyday health tips for all our followers and on LinkedIn provide expert content and advice on workplace wellbeing.

Wellness at Work

287,000

Vhi Corporate Solutions provided Employee Assistance Programmes to 722 companies and supporting 287,000 people including 16,200 calls to the helpline.

Directors' Report for the Financial Year Ended 31 December 2017

The Directors present their 61st 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 in accordance with the European Union (Insurance Undertakings: Financial Statements) Regulations 2015.

Principal Activities

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 DAC was incorporated as the retail intermediary (together on attaining authorisation from the Bank to be called "Regulated Entities"). A number of additional Vhi group subsidiaries were also 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 underwriting business transferred by operation of law to Vhi Insurance DAC on this date. The Vhi Board's intermediary business transferred to Vhi Healthcare DAC. The Vhi Board's non-health insurance businesses transferred to other entities within the Vhi group by way of business and asset transfer agreements.

Business Review and Results

During 2015, Vhi enhanced its capital base through raising subordinated debt of €90m. In 2016 Vhi prepaid €38.9m of this debt and in 2017 prepaid the remaining balance of €51.1m without penalty. During 2017 Vhi also became the sole owners of the Vhi SwiftCare clinics making these available to Vhi customers only from the 1st of September 2017.

A comprehensive review of business transacted during the year is contained in the Chairman's Review and CEO's Operations Review.

The consolidated results for the year ending 31 December 2017 are set out in the income and expenditure account shown on page 31. The consolidated Vhi Board surplus before tax for the year is €86.3m (2016: €64.9m).

Future Developments

The Directors are satisfied with the conduct of business for the year and expect that the present level of activity will be sustained for the foreseeable future.

Directors' Compliance Statement

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

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, honesty and fairness in dealing with our customers and other stakeholders.

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 applicable to our business operations. In this regard for the companies that these apply to, as required by section 225 of the Companies Act 2014, the Directors confirm that:

- a compliance policy statement has been drawn up setting out Vhi's policies in respect of its compliance with its "defined obligations";
- there are in place appropriate arrangements and structures that are designed to ensure Vhi's material compliance with its "relevant obligations"; and
- those arrangements and structures were reviewed in the financial year ended 31 December 2017.

The governance arrangements adopted by Vhi 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; and
- remuneration policies and practices that are consistent with and promote sound and effective risk management.

Corporate Governance

The Group is committed to maintaining the highest standards of corporate governance. The Board is required to comply with the Code of Practice for the Governance of State Bodies, revised by the Department of Public Expenditure and Reform during 2016 (the 'State Code'). The Directors have put in place measures to comply with the State Code, including agreement with the Department of Health to incorporate certain required disclosures in the Chairperson's Comprehensive Report of the Voluntary Health Insurance Board issued annually to the Minister for Health.

Vhi Insurance DAC, a subsidiary company within the group, as an authorised non-life insurance undertaking, is required to comply with the requirements of the Central Bank of Ireland's Corporate Governance Requirements for Insurance Undertakings 2015. The Directors confirm compliance with the requirements of the corporate governance codes applying to Vhi.

Board of Directors:

The Directors of the Board at 31 December 2017 are listed on page 4 and in the table below. The roles of Chairman and Chief Executive are separate. All Directors are appointed by the Minister for Health. The Board held nine meetings during 2017 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 financial statements 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 Committee		Remuneration Committee		Risk Management & Compliance Committee	
	A	B	A	B	A	B	A	B
Dr Ruth Barrington	9	9	5	5				
Joyce Brennan	8	9			3	3	6	6
Seamus Creedon	7	9					6*	6
Liam Downey	9**	9			3	3		
Celine Fitzgerald	8	9			3*	3		
Finbarr Lennon	9	9	2	4				
Declan Moran	9	9					5	6
John O'Dwyer	9	9					6	6
Paul O'Faherty	9	9	5	5			6	6
Greg Sparks	9	9	5*	5				
Brian Walsh	9	9						

*Chairperson of Committee **Chair of the Board

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

Audit Committee

The Directors have established an Audit Committee to assist in the execution of its responsibilities.

The Audit Committee consists of four non-Executive Directors. It meets at least four times a year and reviews the annual accounts, certain regulatory filings, 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.

Directors' Report for the Financial Year Ended 31 December 2017 (continued)

Internal Control

The Board has given effect to the recommendations of the Internal Control: Guidance for Directors on the Corporate Governance Requirements for Insurance Undertakings, issued by the Central Bank of Ireland 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 Board is satisfied that there is a sound system of internal control in place.

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; and
- experienced and qualified staff have been allocated responsibility for all major business functions.

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.

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 that projections for future years are prepared which take account of reasonable foreseeable changes in trading performance. Stress test assessments, strong governance structures in place and satisfactory operating results and capital position during 2017 further contributed to assessing a strong solvency position.

Principal Risks and Uncertainties

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 of Directors.

Vhi's principal risks 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 participants in the private health insurance 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 threatens the operation of the sustainability of the community rated market. In addition, it 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 including, but not limited to, public hospital charges for holders of private medical insurance.

d. Investment Risk

Vhi is exposed to a range of risks in relation to its investment portfolio. The Group's exposure to cash flow risk is addressed within the below risks. 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; and
- 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. Insurance Risk

Vhi is exposed to the risk that its premium pricing or claims reserves may not align to its Risk Appetite Statement due to the volatility, severity, frequency and timing of claims. Vhi has experienced increased levels of volatility in respect of claims during recent years, particularly during 2017 in respect of public hospital claims. Vhi implements and monitors a range of mitigants and controls to reduce uncertainty and reduce the impact of this risk on pricing, reserving and capital. These include close communications with our medical providers, actuarial analysis as well as the implementation of the Memorandum of Understanding, an agreement with Public Hospitals designed to facilitate early identification of claims events.

f. 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), cyber risk (risk of financial loss, disruption or damage to the reputation of Vhi from some sort of failure of its information technology systems) 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.

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.

Subsidiary Undertakings

The Board's subsidiaries and other undertakings, as at 31 December 2017, are listed in note 32.

Subsequent Events

Note 34 details the subsequent events post 31 December 2017.

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, 20 Lower Abbey Street, Dublin 1.

Independent Auditors

Deloitte, Chartered Accountants and Statutory Audit Firm, were reappointed as auditors on 8 September 2016. Deloitte have indicated their willingness to 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

Liam Downey
Chairman
29 March 2018

Greg Sparks
Director
29 March 2018

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 and FRS 103 the Financial Reporting Standards 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 the Vhi website.

Independent Auditor's Report to the Members of the Voluntary Health Insurance Board

Report on the audit of the financial statements

Opinion on the financial statements of the Voluntary Health Insurance Board (the 'Board')

In our opinion the group and parent financial statements:

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

The financial statements we have audited comprise:

the group financial statements:

- the Consolidated Income and Expenditure Account;
- the Consolidated Balance Sheet;
- the Consolidated Statement of Changes in Equity;
- the Consolidated Cash Flow Statement;
- the Consolidated Statement of Comprehensive Income; and
- the related notes 1 to 36, including a summary of significant accounting policies as set out in note 1.

the parent financial statements:

- the Statement of Comprehensive Income;
- the Balance Sheet;
- the Statement of Changes in Equity; and
- the related notes 1 to 36, including a summary of significant accounting policies as set out in note 1.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are described below in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the group and parent in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority, as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (Ireland) require us to report to you where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Board's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

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 and otherwise comply with Irish Law, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Board or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report to the Members of the Voluntary Health Insurance Board (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (Ireland), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity (or where relevant, the group) to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities within the group to express an opinion on the (consolidated) financial statements. The group auditor is responsible for the direction, supervision and performance of the group audit. The group auditor remains solely responsible for the audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

Our audit work has been undertaken so that we might state to the Board's members those matters we are required to state to them in an auditor's 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.

Report on other legal and regulatory requirements

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 1.9 (iv) 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.

Glenn Gillard
For and on behalf of Deloitte
Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House,
Earlsfort Terrace,
Dublin 2

26 April 2018

Consolidated Income and Expenditure Account for the Financial Year Ended 31 December 2017

	Notes	2017 €'m	2016 €'m
Technical Account			
Earned Premium, net of reinsurance			
Gross written premiums	2	1,497.1	1,447.8
Outward reinsurance premiums		(294.9)	(435.7)
Change in gross provision for unearned premiums	2,20	(17.7)	(17.5)
Change in the provision for unearned premiums, reinsurer's share	20	(149.0)	5.3
Earned Premium, net of reinsurance	3	**1,035.5**	**999.9**
Allocated investment return transferred from the non-technical account		**(1.4)**	**1.8**
Other technical income, net of reinsurance	4,5	126.6	100.2
Total Technical Income		**1,160.7**	**1,101.9**
Claims incurred, net of reinsurance			
Claims paid – gross amount	2	(1,329.4)	(1,353.0)
Claims paid – reinsurer's share		395.5	412.1
Change in the provision for claims – gross amount	2,20	(15.2)	26.2
Change in the provision for claims – reinsurer's share	20	(0.6)	(18.4)
		(949.7)	**(933.1)**
Net operating expenses	7	**(116.9)**	**(104.5)**
Balance on the technical account		**94.1**	**64.3**
Non-Technical Account			
Balance on the technical account		**94.1**	**64.3**
Investment income	9	(1.4)	1.8
Allocated investment return transferred to the insurance technical account		**1.4**	**(1.8)**
		94.1	**64.3**
Other Income	10	27.8	27.2
Other Expenses	11	(35.6)	(26.6)
Surplus on ordinary activities before tax	24	**86.3**	**64.9**
Tax on surplus on ordinary activities	12	(11.0)	(8.5)
Surplus on ordinary activities after tax	13	**75.3**	**56.4**

The notes on pages 38 to 63 form an integral part of these financial statements. The financial statements were approved by the Board of Directors and authorised for issue on 29 March 2018.

Consolidated Balance Sheet as at 31 December 2017

	Notes	2017 €'m	2016 €'m
Assets			
Investments			
Land and buildings	14	37.8	24.9
Other financial investments	15	1,146.0	1,142.9
		1,183.8	**1,167.8**
Reinsurer's share of technical provisions			
Provision for unearned premiums	20	-	149.0
Claims outstanding	20	157.4	158.0
		157.4	**307.0**
Debtors			
Debtors arising out of insurance operations		451.1	429.3
Debtors arising out of reinsurance operations		5.1	14.0
Other debtors	16	318.4	279.5
		774.6	**722.8**
Other assets			
Intangible assets	18	5.5	3.3
Tangible fixed assets	19	7.1	3.1
Cash at bank and in hand		46.1	21.9
Deferred tax asset	17	2.3	0.8
		61.0	**29.1**
Prepayments and accrued income			
Deferred acquisition costs	22	5.1	5.1
Other prepayments and accrued income		4.8	3.0
		9.9	**8.1**
Total assets		**2,186.7**	**2,234.8**

Consolidated Balance Sheet as at 31 December 2017 (continued)

	Notes	2017 €'m	2016 €'m
Equity and Liabilities			
Capital and reserves			
General reserve		558.2	521.6
Comprehensive income		52.7	36.6
Shareholder's funds		**610.9**	**558.2**
Subordinated debt	28	**-**	**51.1**
Technical provisions			
Provision for unearned premium	20	514.3	496.6
Claims outstanding	20,30	538.0	522.8
		1,052.3	**1,019.4**
Funds withheld for Reinsurer	21	**157.4**	**307.0**
Creditors			
Creditors arising out of direct insurance operations		60.8	52.7
Other creditors and accruals	23	270.5	222.8
	30	**331.3**	**275.5**
Retirement benefit liability	27	**34.8**	**23.6**
Total liabilities and shareholder's equity		**2,186.7**	**2,234.8**

The notes on pages 38 to 63 form an integral part of these accounts. The financial statements were approved by the Board of Directors and authorised for issue on 29 March 2018. They were signed on its behalf by:

L. Downey

Liam Downey
Chairman
29 March 2018

Greg Sparks
Director
29 March 2018

Board Balance Sheet as at 31 December 2017

	Notes	2017 €'m	2016 €'m
Assets			
Other financial investments			
Investment in subsidiaries	15	479.7	479.7
		479.7	**479.7**
Debtors: Amounts falling due in 1 year		0.1	
Total Assets		**479.8**	**479.7**
Equity and Liabilities			
Capital and reserves			
General reserve		456.1	474.1
Comprehensive income		(21.1)	(18.0)
Shareholder's funds		**435.0**	**456.1**
Other creditors and accruals		**10.0**	**-**
Retirement benefit liability	27	**34.8**	**23.6**
Total liabilities and shareholder's equity		**479.8**	**479.7**

The notes on pages 38 to 63 form an integral part of these financial statements. The financial statements were approved by the Board of Directors and authorised for issue on 29 March 2018. They were signed on its behalf by:

L. Downey

Liam Downey
Chairman
29 March 2018

Greg Sparks
Director
29 March 2018

Consolidated Statement of Cash Flows as at 31 December 2017

	Notes	2017 €'m	2016 €'m
Net cash from operating activities	24	**121.5**	**44.7**
Cash flows from investing activities:			
Proceeds from sale of equipment		0.1	0.1
Proceeds from sale of property		-	0.7
Purchase of property		(11.6)	(3.0)
Purchase of equipment		(12.2)	(3.7)
Investment and dividend income received		22.8	19.0
Net purchase of portfolio investments		(41.3)	(25.4)
Net cash flows from investing activities		**(42.2)**	**(12.3)**
Cash flows from financing activities:			
Loans (repaid)		(51.1)	(38.9)
Interest (paid)		(4.0)	(9.4)
Net cash flows from financing activities		**(55.1)**	**(48.3)**
Net increase/(decrease) in cash at bank and in hand		**24.2**	**(15.9)**
Cash at bank and in hand at beginning of financial year		21.9	37.8
Cash at bank and in hand at end of financial year		**46.1**	**21.9**

Board Statement of Cash Flows as at 31 December 2017

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

Consolidated Statement of Changes in Equity as at 31 December 2017

	Total €'m
At 31 December 2015	**521.6**
Surplus for the financial year	56.4
Actuarial deficit on pension fund	(19.8)
At 31 December 2016	**558.2**
Surplus for the financial year	75.3
Actuarial deficit on pension fund	(22.6)
At 31 December 2017	**610.9**

Consolidated Statement of Comprehensive Income for the Financial Year Ended 31 December 2017

	2017 €'m	2016 €'m
Surplus for the financial year	75.3	56.4
Actuarial deficit	(22.6)	(19.8)
Total	**52.7**	**36.6**

Board Statement of Changes in Equity as at 31 December 2017

	Total €'m
At 31 December 2015	**474.1**
Surplus for the financial year	1.8
Actuarial deficit on pension fund	(19.8)
At 31 December 2016	**456.1**
Surplus for the financial year	1.5
Actuarial deficit on pension fund	(22.6)
At 31 December 2017	**435.0**

Board Statement of Comprehensive Income for the Financial Year Ended 31 December 2017

	2017 €'m	2016 €'m
Surplus for the financial year	1.5	1.8
Actuarial deficit	(22.6)	(19.8)
Total	**(21.1)**	**(18.0)**

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 65. The nature of operations and the Vhi Board's operating and financial review are detailed in the Directors' report on page 24.

Basis of Preparation

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

The Directors have a reasonable expectation that the Board has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Foreign Currency

The Board financial statements are presented in Euro which is the functional currency of the Vhi group. Transactions during the year denominated in foreign currencies have been translated at the rates of exchange ruling at the dates of the transactions. Assets and liabilities denominated in foreign currencies are translated to Euro at the rates of exchange ruling at the balance sheet date. The resulting surpluses or deficits are dealt with in the income and expenditure account.

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 income and expenditure account in the financial year in which the change is made. Prudent assumptions are made so that the provision should be sufficient in reasonably foreseeable adverse circumstances.

Unexpired Risks

Provision is made, based on information available at the balance sheet date, for any estimated underwriting deficit 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.

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 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 income and expenditure account.

Business combinations and goodwill

Business combinations are accounted for by applying the purchase method. The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of the equity instruments issued plus the costs directly attributable to the business combinations.

On acquisition of a business, fair values are attributed to the identifiable assets and liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values acquired. Goodwill is amortised over its expected useful life. Goodwill is assessed for impairment where there are indicators of impairment and any impairment is charged to the profit and loss account.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Computer software licence and development costs are recognised as intangible assets when they are not an integral part of the related hardware and are amortised to the income and expenditure account over their estimated useful lives of four years. Costs associated with maintaining the computer software are recognised as an expense when incurred.

Property, Plant and Equipment

Land, buildings and other tangible assets are initially recognised at cost. Cost includes any costs directly attributable to bringing the asset to the intended use. Costs for assets under construction are included under work in progress until the asset is brought into use.

i. Land and buildings

Land and buildings are subsequently carried at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of land and buildings are included in the income and expenditure account in the year in which they arise, including the corresponding tax effect. Fair values are evaluated annually by an accredited external, independent valuer with recent experience in the location and class of the property 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.

ii. Tangible assets

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

Motor vehicles	4 years
Computer equipment	4 years
Furniture, fittings, medical and office equipment	5 years

Expenditure incurred on the development of computer equipment 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 years in which the economic benefits are expected to arise. This period is subject to a maximum of four years. In the event of uncertainty regarding its future economic benefit, the expenditure is charged to the income and expenditure account.

Financial Assets and Liabilities

The Board's investments comprise debt and equity investments, collective investments, deposits in banks, 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 the income and expenditure account, 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 income and expenditure account. Deposits in banks are recognised at their face value inclusive of accrued interest.

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 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.

Investment in Subsidiaries

Investments in subsidiary companies are initially recognised at cost. At each year end the directors review the investments made for objective evidence of impairment and recognise any impairment in the income and expenditure account immediately.

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

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

Notes to the Financial Statements (continued)

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 income and expenditure account of Vhi Board. The Actuarial surplus or deficit is recognised in the statement of total comprehensive income 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 tax, 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 income and expenditure 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 to the scheme in their profit and loss account.

Other Income

Other income is composed of insurance agency commission earned on the sale of insurance products for other insurance companies. Insurance agency commission for products that do not require further service are recognised as income on the commencement of the related policy. Insurance agency commission for products requiring further customer service is recognised on a straight line basis over the lifetime of the policies.

Other income also comprises revenue from the provision of health services to clients. Revenue from the provision of health services to clients represents the invoiced value and work-in-progress of health services provided to clients 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.

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 amounts are accounted for in line with the Reinsurance agreement and described below. The reinsurance agreement has ended on 31 December 2017.

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

Premiums payable in respect of reinsurance ceded are recognised over the period of the reinsurance contract. 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, reinsurer's 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 Reinsurer

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

Tax

The charge for tax 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.

Deferred Tax

Deferred tax is provided on timing differences between the taxable surplus and surplus as stated in the financial statements. The provisions are made at the tax 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.

2. Particulars of business

The insurance business of Vhi Board is that of health insurance and all business is written in the Republic of Ireland.

Analysis of gross premium earned, gross claims incurred, operating expenses and reinsurance balance for Vhi Board is as follows:

	2017 €'m	2016 €'m
Gross written premium	1,497.1	1,447.8
Change in provision for unearned premium	(17.7)	(17.5)
Gross earned premium	**1,479.4**	**1,430.3**
Other technical income gross	101.7	83.7
Claims paid – gross amount	(1,329.4)	(1,353.0)
Change in the provision for claims – gross amount	(15.2)	26.2
Gross claims incurred	**(1,344.6)**	**(1,326.8)**
Operating expenses	(116.9)	(104.5)
Reinsurance	(24.0)	(20.2)

3. Earned premium

All earned premium relates to health insurance and all business written is in the Republic of Ireland.

4. Other technical income, net of reinsurance

	2017 €'m	2016 €'m
Risk Equalisation Scheme - gross (note 5)	101.7	83.7
Risk Equalisation Scheme - reinsurer's share (note 5)	(30.5)	(25.2)
Reinsurance commissions	55.4	41.7
	126.6	**100.2**

5. Risk equalisation scheme

	2017 €'m	2016 €'m
Risk Equalisation Credits		
Gross amount	460.9	432.5
Reinsurer's share	(138.3)	(129.8)
Health Insurance Levy		
Gross amount	(359.2)	(348.8)
Reinsurer's share	107.8	104.6
	71.2	**58.5**

Risk Equalisation Credits consist of credits payable by the Risk Equalisation Fund in respect of older and/or hospitalised members of private medical insurance policies. These are received for each insured person aged over 65 and for each claim paid which included a hospital stay.

The Health Insurance Levy is a stamp duty which is payable on renewal or inception of a private health insurance policy in Ireland and is used to fund the risk equalisation scheme.

Notes to the Financial Statements (continued)

6. Claims incurred

Each year the Directors assess whether it will incur deficits on the unexpired element of existing contracts or on contracts that it is obliged to incept or renew. The estimate of these potential deficits are 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 2017 is €0m (2016: €0m).

7. Net operating expenses

	2017 €'m	2016 €'m
Acquisition costs	14.7	14.8
Change in acquisition costs	-	(0.8)
Administration expenses	102.2	90.5
Net operating expenses	**116.9**	**104.5**

8. Employment benefits and directors remuneration

	2017 €'m	2016 €'m
Emoluments		
Aggregate emoluments paid by Vhi to directors	1.1	1.0
Contribution to defined contribution pension schemes	0.1	0.1
	1.2	**1.1**

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

	2017 €'m	2016 €'m
The average monthly number of people employed during the financial year (including directors) was as follows:	1,326	1,192
Staff costs were:		
Wages and salaries	77.0	65.2
Social security costs	7.8	6.9
Other retirement benefit costs	6.2	6.7
Other compensation costs	2.1	1.3
	93.1	**80.1**

The total remuneration, including pension contribution, paid to the Chief Executive and included in net operating expenses in the year to December 2017 was €337,500.

The average monthly headcount and all staff costs includes the transfer of Swiftcare staff to Vhi during the reporting period.

9. Net investment return

	2017 €'m				
	Net investment income	Net investment expense	Net realised gains and (losses)	Changes in fair value	Net investment result
Corporate bonds	(1.8)	(0.5)	(3.1)	4.2	**(1.2)**
Government bonds	(1.2)	(0.4)	(3.9)	4.0	**(1.5)**
Collateralised securities	0.5	-	(0.5)	0.4	**0.4**
Collective Investments	(0.1)	-	(0.1)	-	**(0.2)**
Deposits in banks	(0.6)	(0.2)	-	-	**(0.8)**
Other unquoted investments	0.3	-	-	1.6	**1.9**
	(2.9)	**(1.1)**	**(7.6)**	**10.2**	**(1.4)**

	2016 €'m				
	Net investment income	Net investment expense	Net realised gains and (losses)	Changes in fair value	Net investment result
Corporate bonds	3.9	(0.2)	(1.8)	(0.6)	**1.3**
Government bonds	13.6	(0.3)	(12.1)	(0.5)	**0.7**
Collateralised securities	0.3	-	(0.3)	-	**-**
Collective Investments	-	(0.1)	-	-	**(0.1)**
Deposits in banks	-	(0.6)	-	-	**(0.6)**
Other unquoted investments	0.2	-	-	0.3	**0.5**
	18.0	**(1.2)**	**(14.2)**	**(0.8)**	**1.8**

10. Other income

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

	2017 €'m	2016 €'m
Commission income	17.1	15.3
Revenue from the provision of health services	10.7	11.9
	27.8	**27.2**

11. 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.

	2017 €'m	2016 €'m
Expenses from the provision of health services	33.7	18.7
Interest expense	1.9	7.9
	35.6	**26.6**

Notes to the Financial Statements (continued)

12. Tax

	2017 €'m	2016 €'m
The tax charge in the profit and loss account comprises:		
Current tax for year	12.5	8.5
Deferred tax - charge	(1.5)	-
	11.0	**8.5**

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

	2017 €'m	2016 €'m
Surplus on ordinary activities before tax	**86.3**	**64.9**
Surplus on ordinary activities multiplied by standard rate of corporation tax of 12.5% (2016: 12.5%)	10.8	8.1
Effects of:		
Expenses not allowed for tax purposes	2.0	0.2
Capital allowances in excess of depreciation for financial year	0.1	(0.1)
Income taxable not reflected in the income and expenditure	0.1	0.1
Prior Year adjustment	0.1	0.5
Income not taxable	(1.6)	(0.3)
Expenses deductible when paid	1.0	-
Current tax for financial year	**12.5**	**8.5**

13. Surplus on ordinary activities after tax

Surplus for the financial year has been arrived at after charging (crediting) the below to the consolidated financial statements.

	2017 €'m	2016 €'m
Auditors remuneration		
Audit of individual company financial statements	0.2	0.2
Other assurance services	0.1	0.2
Other non-audit services	-	0.6
	0.3	**1.0**

14. Land and buildings

	2017 €'m	2016 €'m
Valuation		
At 1 January	24.9	22.8
Additions	0.2	-
Work in progress	11.5	3.0
Disposals	-	(0.7)
Surplus/(loss) on revaluation	1.2	(0.2)
At end of year	**37.8**	**24.9**

Land and buildings included above are occupied by Vhi group companies for its own activities and are mainly freehold. Land and buildings were valued at 31 December 2017 at open market value in accordance with Royal Institute of Chartered Surveyors (RICS) appraisal and valuation standards.

15. Other financial investments

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

	2017 €'m	2016 €'m
Consolidated		
i) at fair value		
Corporate bonds	565.8	430.6
Government bonds	325.9	396.9
Collateralised securities	3.1	15.3
Collective Investments	44.4	10.9
Other unquoted investments	4.9	4.6
ii) at cost		
Deposits in banks	201.9	284.6
	1,146.0	**1,142.9**
Board		
i) at cost		
Investment in subsidiary	479.7	479.7
	479.7	**479.7**

Notes to the Financial Statements (continued)

16. Other debtors

	2017 €'m	2016 €'m
Amounts falling due within one year		
Risk equalisation scheme	300.2	268.0
Other debtors	17.9	11.2
	318.1	**279.2**
Amounts falling due after one year		
Other debtors	0.3	0.3
	318.4	**279.5**

The Risk Equalisation Scheme debtor includes the unexpired portion of the Health Insurance levy which amounted to €130.0m (2016: €116.2m).

17. Deferred tax asset

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

	2017 €'m	2016 €'m
Income taxed when received	-	(0.1)
Other timing differences	1.2	1.2
FRS prior year adjustments (including restatement)	(0.2)	(0.3)
Expenses deductible when paid	1.3	-
Total deferred tax asset	**2.3**	**0.8**

18. Intangible assets

	Software €'m	Total €'m
Cost		
Balance at 1 January 2017	73.7	73.7
Additions	4.2	4.2
Retirements	(7.5)	(7.5)
Balance at 31 December 2017	**70.4**	**70.4**
Amortisation		
Balance at 1 January 2017	(70.4)	(70.4)
Charge for the year	(2.0)	(2.0)
Retirements	7.5	7.5
Balance at 31 December 2017	**(64.9)**	**(64.9)**
Net book value		
At 31 December 2017	**5.5**	**5.5**
At 31 December 2016	**3.3**	**3.3**

	Software €'m	Total €'m
Cost		
Balance at 1 January 2016	72.5	72.5
Additions	1.2	1.2
Retirements	-	-
Balance at 31 December 2016	**73.7**	**73.7**
Amortisation		
Balance at 1 January 2016	(68.8)	(68.8)
Charge for the year	(1.6)	(1.6)
Retirements		
Balance at 31 December 2016	**(70.4)**	**(70.4)**
Net book value		
At 31 December 2016	**3.3**	**3.3**
At 31 December 2015	**3.7**	**3.7**

Notes to the Financial Statements (continued)

19. Tangible fixed assets

	Motor Vehicles €'m	Fixtures, furnishings and fittings €'m	Computer /office equipment €'m	Medical Equipment €'m	Total €'m
Cost					
Balance at 1 January 2017	2.5	12.5	19.5	0.3	34.8
Additions	0.7	0.6	6.6	-	7.9
Disposals	(0.2)	-	(3.3)	-	(3.5)
Balance at 31 December 2017	**3.0**	**13.1**	**22.8**	**0.3**	**39.2**
Depreciation					
Balance at 1 January 2017	(1.6)	(11.9)	(17.9)	(0.3)	(31.7)
Charge for the year	(0.5)	(0.5)	(2.9)	-	(3.9)
Disposals	0.2	-	3.3	-	3.5
Balance at 31 December 2017	**(1.9)**	**(12.4)**	**(17.5)**	**(0.3)**	**(32.1)**
Net book value					
At 31 December 2017	**1.1**	**0.7**	**5.3**	**-**	**7.1**
At 31 December 2016	**0.9**	**0.6**	**1.6**	**-**	**3.1**

	Motor Vehicles €'m	Fixtures, furnishings and fittings €'m	Computer /office equipment €'m	Medical Equipment €'m	Total €'m
Cost					
Balance at 1 January 2016	2.2	12.5	19.2	0.3	34.2
Additions	0.6	0.1	1.8	-	2.5
Disposals	(0.3)	(0.1)	(1.5)	-	(1.9)
Balance at 31 December 2016	**2.5**	**12.5**	**19.5**	**0.3**	**34.8**
Depreciation					
Balance at 1 January 2016	(1.4)	(11.6)	(17.6)	(0.3)	(30.9)
Charge for the year	(0.5)	(0.4)	(1.8)	-	(2.7)
Disposals	0.3	0.1	1.5	-	1.9
Balance at 31 December 2016	**(1.6)**	**(11.9)**	**(17.9)**	**(0.3)**	**(31.7)**
Net book value					
At 31 December 2016	**0.9**	**0.6**	**1.6**	**-**	**3.1**
At 31 December 2015	**0.8**	**0.9**	**1.6**	**-**	**3.3**

20. Technical provisions

	Provision for Unearned Premium €'m	Claims Outstanding €'m	Total €'m
Gross Amount			
As at 31 December 2016	(496.6)	(522.8)	(1,019.4)
Movement in provision	(17.7)	(15.2)	(32.9)
As at 31 December 2017	**(514.3)**	**(538.0)**	**(1,052.3)**
Reinsurance Amount*			
As at 31 December 2016	149.0	158.0	307.0
Movement in provision	(149.0)	(0.6)	(149.6)
As at 31 December 2017	**-**	**157.4**	**157.4**
Net Technical Provision			
As at 31 December 2017	**(514.3)**	**(380.6)**	**(894.9)**
As at 31 December 2016	**(347.6)**	**(364.8)**	**(712.4)**

	Provision for Unearned Premium €'m	Claims Outstanding €'m	Total €'m
Gross Amount			
As at 31 December 2015	(479.1)	(549.0)	(1,028.1)
Movement in provision	(17.5)	26.2	8.7
As at 31 December 2016	**(496.6)**	**(522.8)**	**(1,019.4)**
Reinsurance Amount*			
As at 31 December 2015	143.7	176.4	320.1
Movement in provision	5.3	(18.4)	(13.1)
As at 31 December 2016	**149.0**	**158.0**	**307.0**
Net Technical Provision			
As at 31 December 2016	**(347.6)**	**(364.8)**	**(712.4)**
As at 31 December 2015	**(335.4)**	**(372.6)**	**(708.0)**

*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. The reinsurance contract has ended as at 31 December 2017 resulting in no provision for the reinsurers share of unearned premium being recognised at the period end.

Notes to the Financial Statements (continued)

21. Funds withheld from Reinsurer

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. This reinsurance agreement has expired as at 31 December 2017.

	2017 €'m	2016 €'m
Funds withheld from reinsurer	157.4	307.0
	157.4	**307.0**

22. Deferred acquisition costs

Acquisition costs are expensed as the premiums to which they relate are earned. The amount of €5.1m provided for 2017 (2016: €5.1m) 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.

23. Other creditors and accruals due within one year

	2017 €'m	2016 €'m
Risk Equalisation Scheme	191.8	167.4
Other creditors	27.3	21.8
Accruals	51.4	33.6
	270.5	**222.8**

The Risk Equalisation Scheme creditor includes the value of the provision for unearned premium credits at the year ended 31 December 2017 of €134.3m (2016: €116.9m).

24. Notes to the cash flow statement

Consolidated	2017 €'m	2016 €'m
Surplus on ordinary activities before tax	**86.3**	**64.9**
Add back depreciation	21.4	4.2
Defined benefit pension contributions in excess of charge	(11.7)	(1.8)
Finance expense	1.9	7.9
Investment loss/(income)	1.4	(1.6)
(Gain) on disposal of property, plant and equipment	(0.1)	(0.1)
Operating cash flows before movements in working capital	**99.2**	**73.5**
(Increase) in deferred acquisition costs	-	(0.8)
Increase/(decrease) in insurance contract liabilities	15.2	(26.2)
(Increase)/decrease in reinsurance asset	8.9	(13.8)
Increase/(decrease) in provision for unearned premium	17.6	17.5
(Increase) in receivables	(65.5)	(17.5)
Increase in payables	58.8	22.1
Working capital movements	**35.0**	**(18.7)**
Cash generated by operations	134.2	54.8
Income taxes paid	(12.7)	(10.1)
Net cash operating activities	**121.5**	**44.7**

25. Capital commitments

	2017 €'m	2016 €'m
Capital expenditure contracted for	11.6	19.8
	11.6	**19.8**

26. 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 2017 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.

Notes to the Financial Statements (continued)

27. 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 Board in funds under the control of Trustees. Costs arising in respect of this plan are charged to the income and expenditure 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 2017 amounted to €18.3m (December 2016: €6.9m) and are based on 20.1% of salary.

The values used in this disclosure are based on the most recent actuarial funding valuations, carried out at 31 December 2017. The funding valuation results were projected forward to 31 December 2017 and adjusted for changes to actuarial assumptions and the occurrence of significant events and experience. The amounts have been fully implemented in the financial statements 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.

(i) The major assumptions used in respect of the pension scheme are:	2017 %	2016 %
Rate of increase in salaries	2.2	2.0
Rate of increase in pensions in payment	1.0	0.0
Discount rate	2.2	2.0
Revaluation	1.0	0.0
Inflation assumption	1.7	1.5

(ii) Long-term expected rates of return at financial year end are:	2017 %	2016 %
Equities	2.2	2.0
Fixed interest	2.2	2.0
Property	2.2	2.0
Other	2.2	2.0

(iii) Weighted average life expectancy for mortality tables used to determine benefit obligations at	2017	2016
Member age 65 (current life expectancy)	24.0	23.8
Member age 40 (life expectancy at age 65)	26.8	26.7

(iv) The assets in the pension scheme at market value were:	2017 €'m	2016 €'m
Equities	117.1	106.6
Fixed interest	65.8	59.1
Property	2.4	2.3
Other	81.5	67.1
Total market value of assets	**266.8**	**235.1**
Present value of scheme liabilities	(306.6)	(261.9)
Deficit in the scheme	**(39.8)**	**(26.8)**
Related deferred tax asset	5.0	3.2
Net retirement benefit liability	**(34.8)**	**(23.6)**

27. Retirement benefit schemes (continued)

(v) Income and expenditure account	2017 €'m	2016 €'m
Charged to net operating expenses		
Retirement benefits		
Current service cost	(6.2)	(4.8)
Death in service cost	(0.4)	(0.3)
Other retirement benefits		
Charge to profit & loss	(6.6)	(5.1)
Interest in scheme liabilities	(5.2)	(5.6)
Expected return on scheme assets	4.8	5.6
Past service cost	-	-
Net change in operating result	**(7.0)**	**(5.1)**

(vi) Statement of comprehensive income	2017 €'m	2016 €'m
Actual return less expected return on scheme assets	11.2	10.8
Experience gains and losses on scheme liabilities	(3.8)	(2.3)
Changes in demographic and financial assumptions	(31.7)	(30.9)
Actuarial (deficit)/surplus	(24.3)	(22.4)
Deferred tax	3.0	2.6
Total actuarial (deficit)/surplus	**(21.3)**	**(19.8)**

(vii) Movement in net deficit during the financial year	2017 €'m	2016 €'m
Net deficit in scheme at start of year	(23.6)	(5.6)
Current service cost	(6.2)	(4.8)
Death in service cost	(0.4)	(0.3)
Past Service credit	-	-
Contributions	18.3	6.9
Interest on scheme liabilities	(5.2)	(5.6)
Expected return on scheme assets	4.8	5.6
Actuarial (deficit)/surplus	(24.3)	(22.4)
Deferred tax	1.8	2.6
Net deficit at end of financial year	**(34.8)**	**(23.6)**

Notes to the Financial Statements (continued)

27. Retirement benefit schemes (continued)

(viii) History of experience gains and losses	Year ended Dec-2017	Year ended Dec-2016	Year ended Dec-2015	Year ended Dec-2014	Year ended Dec-2013
Difference between expected and actual return on	11.2	10.8	2.5	17.0	1.7
assets % of scheme assets	4%	5%	1%	9%	1%
Experience (losses) and gains on scheme liabilities	(3.8)	(2.1)	9.9	(1.1)	(1.7)
% of scheme liabilities	(1%)	(1%)	4%	(1%)	(1%)
Total actuarial (deficit)/surplus	(24.3)	(22.4)	11.4	16.8	(0.0)
% of scheme liabilities	(8%)	(9%)	6%	8%	(0%)

(ix) Recognised within the Balance Sheet:	2017 €'m	2016 €'m
Net deficit as at 31 December	(34.8)	(23.6)

(x) Movement in group assets and liabilities:	2017 €'m	2016 €'m
Assets		
Assets in scheme at 1 January	235.1	213.4
Return on scheme assets (excluding interest income)	11.2	10.8
Employer contributions	18.3	6.9
Employee contributions	2.5	2.6
Interest on scheme assets	4.8	5.6
Insurance premiums for risk benefits	(0.4)	(0.4)
Benefits paid	(4.7)	(3.8)
Assets in scheme at 31 December	**266.8**	**235.1**
Liabilities		
Liabilities in scheme at 1 January	261.9	219.8
Experience gains and losses on scheme liabilities	3.8	2.1
Changes in assumptions	31.7	30.9
Current service cost	6.6	5.1
Employee contributions	2.5	2.6
Interest on scheme liabilities	5.2	5.6
Insurance premiums for risk benefits	(0.4)	(0.4)
Benefits paid	(4.7)	(3.8)
Liabilities in scheme at 31 December	**306.6**	**261.9**

28. Subordinated debt

During 2015, Vhi Group DAC, a subsidiary company of the Vhi Board, raised subordinated debt of €90m. During 2016 the company prepaid €38.9m without penalty and prepaid the remaining balance on €51.1m during 2017, also without penalty.

29. 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. Vhi has also employed the use of reinsurance and subordinated debt as capital management tools over the last few years.

Vhi Insurance DAC, a subsidiary of Vhi Board, is subject to externally imposed capital requirements by the Central Bank of Ireland. Under the EU Solvency Directive (referred to as 'Solvency II'), which became effective on 1 January 2016, the required capital is determined by the application of standard rules set out by the regulator and the Company's exposure to risk.

Vhi Insurance DAC was compliant throughout 2017 with a solvency capital coverage ratio in excess of its risk appetite of 150%.

Overall Vhi Board is well capitalised and this aided the decision to successfully prepay the remaining subordinated debt (€51.1m) without penalty during 2017. The multi-year reinsurance arrangement with National Indemnity Company expired on 31 December 2017, with no replacement, which also reflects the Board's strong capital position.

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

	€'m
Capital resources at 1 January 2016	**611.6**
Surplus for the financial year	56.4
Actuarial deficit for December 2016	(19.8)
Repayment of subordinated debt	(38.9)
Capital resources at 31 December 2016	**609.3**
Surplus for the financial year	75.3
Actuarial deficit for December 2017	(22.6)
Repayment of subordinated debt	(51.1)
Capital resources at 31 December 2017	**610.9**

30. 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, currency risk and other price change risks), 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. 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 1) and the lowest priority to unobservable inputs (Level 3).

Level 1
Quoted prices unadjusted for an identical asset in an active market.

Level 2
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 3
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.

Notes to the Financial Statements (continued)

30. Financial risk management (continued)

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.

The table below shows financial assets carried at fair value through the income and expenditure account (as disclosed in note 15) that are measured at fair value:

	2017 €'m			
	Level 1	Level 2	Level 3	Total
Corporate bonds	-	565.8	-	565.8
Government bonds	-	325.9	-	325.9
Collateralised securities	-	3.1	-	3.1
Collective Investments	-	44.4	-	44.4
Other unquoted investments	-	-	4.9	4.9
Financial investments at fair value	**-**	**939.2**	**4.9**	**944.1**

	2016 €'m			
	Level 1	Level 2	Level 3	Total
Corporate bonds	-	423.3	7.3	430.6
Government bonds	-	394.1	2.8	396.9
Collateralised securities	-	15.3	-	15.3
Collective Investments	-	-	10.9	10.9
Other unquoted investments	-	-	4.6	4.6
Financial investments at fair value	**-**	**832.7**	**25.6**	**858.3**

Market risk

Market risk is the risk of adverse financial impact as a consequence of financial 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 monitor and 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 diversifies its fixed interest investments by issuer and type to ensure it has no significant concentration of interest rate risk at the balance sheet date.

The sensitivity analyses below have been determined based on prescribed Solvency II test formulae for interest rate risk. The table below shows the exposure to interest rates for fixed interest rate financial assets only at the balance sheet date.

	Pre-tax surplus		Shareholder's equity	
	2017 €m	**2016 €m**	**2017 €m**	**2016 €m**
Increase in interest rates	(11.9)	(16.7)	(10.4)	(14.6)
Decrease in interest rates	0.4	0.4	0.3	0.3

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

iii. Other market price risk management
Vhi Board is exposed to market 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.

Vhi Board sensitivity to a 0.5% increase and decrease in market prices is as follows:

	2017 €'m	2016 €'m
0.5% increase		
Movement in fair value of debt securities and other fixed income securities	4.7	4.2
0.5% decrease		
Movement in fair value of debt securities and other fixed income securities	(4.7)	(4.2)

For all other financial instruments held at 31 December 2017 these assets are not subject to significant amounts of risk due to fluctuations in interest rates.

Credit risk

Credit risk refers to the risk that a counterparty will default on all or part of their contractual obligations resulting in financial deficit 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 third 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.

The Board consolidated its use of investment custodian services in 2016. The custodian provides services for all of the Group's financial assets. The Board are satisfied that this does not represent a material increase in credit exposure. 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 by credit rating agencies. Where not available, the Board uses other publicly available financial information and its own trading records to rate its major financial counterparties. 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.

The group's exposure and the credit ratings of its counterparties are continuously monitored. 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. 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.

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 Board's reinsurer has a credit rating of AA+. The Board have assessed this credit rating as being sufficient to meet its risk appetite. Reinsurance assets are the reinsurer's share of outstanding claims, claims incurred but not reported (IBNR) and reinsurance receivables. The majority of debt securities are investment grade and the Board has limited exposure to below investment grade securities.

Receivables consist of a large number of policyholders, and their financial condition is subject to ongoing credit evaluation. Loans and receivables from policyholders, agents, intermediaries and other third parties generally do not have a credit rating.

Notes to the Financial Statements (continued)

30. Financial risk management (continued)

The following table shows aggregated credit risk exposure for assets held with third parties in respect of external credit ratings for Vhi Board:

2017 €m	AAA < AA-	A+ < BBB	< BBB	Not Rated	Carrying Amount
Financial assets					
Corporate bonds	319.8	246.0	-	-	565.8
Government bonds	146.5	179.4	-	-	325.9
Collateralised securities	3.1	-	-	-	3.1
Collective investments	44.4	-	-	-	44.4
Other unquoted investments	-	-	-	4.9	4.9
Deposits in banks	76.1	105.8	20.0	-	201.9
Total financial investments	**589.9**	**531.2**	**20.0**	**4.9**	**1,146.0**
Other assets					
Cash at hand and in bank	-	46.1	-	-	46.1
Reinsurance assets	5.1	-	-	-	5.1
Insurance receivables	-	-	-	451.1	451.1
Other debtors	-	-	-	318.4	318.4
Total financial assets	**595.0**	**577.3**	**20.0**	**774.4**	**1,966.7**

2016 €m	AAA < AA-	A+ < BBB	< BBB	Not Rated	Carrying Amount
Financial assets					
Corporate bonds	304.2	126.4	-	-	430.6
Government bonds	193.3	203.6	-	-	396.9
Collateralised securities	15.3	-	-	-	15.3
Collective investments	10.9	-	-	-	10.9
Other unquoted investments	-	-	-	4.6	4.6
Deposits in banks	97.3	187.3	-	-	284.6
Total financial investments	**621.0**	**517.3**	**-**	**4.6**	**1,142.9**
Other assets					
Cash at hand and in bank	-	-	21.9	-	21.9
Reinsurance assets	14.0	-	-	-	14.0
Insurance receivables	-	-	-	429.3	429.3
Other debtors	-	-	-	279.5	279.5
Total financial assets	**635.0**	**517.3**	**21.9**	**713.4**	**1,887.6**

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.

Insurance receivables	Neither past due nor impaired €'m	Past due less than 30 days €'m	Past due 31 to 60 days €'m	Past due 61 to 90 days €'m	Past due more than 90 days €'m	Past due and impaired €'m	Carrying amount €'m
2017	429.0	7.4	9.0	2.7	3.0	-	451.1
2016	412.5	4.5	6.7	3.8	1.8	-	429.3

Liquidity risk management

Liquidity risk is the risk that the group cannot meet its obligations associated with financial liabilities as they fall due, or the risk of incurring excessive costs in selling assets. 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.

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.

	2017 €'m					
	Less than 1 month	1–3 months	3 months to 1 year	1–5 years	5+ years	Total
Insurance contract liabilities	146.8	157.3	176.1	57.5	0.3	538.0
Trade and other liabilities	86.3	192.6	52.4	-	-	331.3

	2016 €'m					
	Less than 1 month	1–3 months	3 months to 1 year	1–5 years	5+ years	Total
Insurance contract liabilities	129.4	139.0	185.8	68.4	0.2	522.8
Trade and other liabilities	68.8	160.0	46.7	-	-	275.5

Notes to the Financial Statements (continued)

31. Insurance risk management

Assumptions and sensitivities

The risks associated with the health insurance contracts are subject to a number of variables. The Board 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 deficit 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.

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

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 shareholder's 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	
	2017 €'m	2016 €'m	2017 €'m	2016 €'m
5% increase in deficit ratios				
Gross	(67.4)	(66.4)	(59.0)	(58.1)
Net	(48.3)	(44.9)	(42.2)	(39.3)
5% decrease in deficit ratios				
Gross	67.4	66.4	59.0	58.1
Net	52.3	46.9	45.7	40.8

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

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, 2015, 2016 and 2017 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	2016 €'m	2017 €'m	Total €'m
Estimate of ultimate claims					
End of accident year	1,478.7	1,461.1	1,488.0	1,486.9	
One year later	1,326.1	1,334.6	1,365.5		
Two years later	1,304.4	1,307.3			
Three years later	1,296.6				
Current estimate of ultimate claims	1,296.6	1,307.3	1,365.5	1,486.9	
Cumulative payments	1,277.1	1,279.9	1,304.6	1,068.7	
In balance sheet	19.5	27.4	60.9	418.2	526.0
Provision for prior Accident Years (2013 & Prior)					12.0
Liability in balance sheet					**538.0**

Analysis of claims development – Net of Reinsurance	2014 €'m	2015 €'m	2016 €'m	2017 €'m	Total €'m
Estimate of ultimate claims					
End of accident year	605.9	1,028.6	1,047.4	1,051.7	
One year later	532.7	935.1	956.9		
Two years later	522.6	915.5			
Three years later	519.2				
Current estimate of ultimate claims	519.2	915.5	956.9	1,051.7	
Cumulative payments	510.8	895.9	913.2	753.8	
In balance sheet	8.4	19.6	43.7	297.9	369.6
Provision for prior Accident Years (2013 & Prior)					11.0
Liability in balance sheet					**380.6**

Notes to the Financial Statements (continued)

32. Subsidiary undertakings

The Vhi Board is the parent of Vhi Group DAC and the ultimate parent of Vhi Insurance DAC, Vhi Healthcare DAC, Vhi Group Services DAC, Vhi Investments DAC, Vhi Health Services DAC, Vhi Occupational Health DAC, Vhi RI DAC and Áras Sláinte Limited (ASL).

On 14 June 2017 Vhi Investment DAC acquired 100% of the share capital of ASL. Vhi Investments DAC has used the acquisition method of accounting to account for the purchase. The investment in ASL has been included in Vhi Investment DAC's balance sheet at its fair value at the date of acquisition.

At the date of acquisition, Vhi Investments DAC purchased 100% of the shares in ASL for a consideration of €1 and it loaned ASL monies to repay its external debt. In satisfaction of the loan, ASL transferred all of its assets and liabilities which consist of trade debtors and creditors, cash, stock and fixed assets, to Vhi Investments DAC on 31 July 2017, the date of the business transfer. Goodwill which arose on acquisition has been amortised on an accelerated basis in the accounts of the Voluntary Health Insurance Board, following the decision to make the Swiftcare Clinics available to Vhi members only.

Vhi Group DAC is the holding company for the Vhi group companies and the Vhi Board holds 100% of the shares in Vhi Group DAC. Vhi Group DAC holds 100% of the shares of the other subsidiary companies shown in the table below, with the exception of ASL, which VhI Investments DAC is the parent company. Vhi Group DAC and Vhi Investments DAC are Irish registered companies 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 DAC	%
Vhi Insurance DAC	Ireland	Vhi House 20 Lower Abbey Street Dublin 1	Insurance	€5,000,000	100
Vhi Healthcare DAC	Ireland	Vhi House 20 Lower Abbey Street Dublin 1	Retail Intermediary	€1	100
Vhi Group Services DAC	Ireland	Vhi House 20 Lower Abbey Street Dublin 1	Shared Services	€1	100
Vhi Health Services DAC	Ireland	Waverly Office Park, Old Naas Road, Dublin 12	Provision of health service	€700	100
Vhi Investments DAC	Ireland	Vhi House 20 Lower Abbey Street Dublin 1	Minor injury clinics	€1	100
Vhi Occupational Health DAC	Ireland	Vhi House 20 Lower Abbey Street Dublin 1	Recruitment and occupational health services	€1	100
Vhi RI DAC	Ireland	Vhi House 20 Lower Abbey Street Dublin 1	Property Development Services	€1	100
Áras Sláinte Limited	Ireland	Vhi House 20 Lower Abbey Street Dublin 1	Non-trading	€1	100

33. Related party transactions

As with many other entities, the 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 2017 was €3.3m (2016: €3.0m), of which remuneration in respect of directors disclosed in Note 8 comprises €1.2m (2016: €1.1m).

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 DAC, Vhi Insurance DAC, Vhi Health Services DAC, Vhi Investments DAC, and Vhi Healthcare DAC. There were no outstanding balances in the financial statements of the Vhi Board at 31 December 2017.
- Vhi Group DAC is the holding company for the Vhi Group. Vhi Group DAC has an intra group loan agreement in place with Vhi Healthcare DAC.
- Vhi Group DAC provided an intra group loan to Vhi Investments 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 DAC (regulated as a Retail Intermediary by the Bank) to sell and administer its policies.
- Vhi Health Services DAC provides home infusion and related services. Vhi Health Services DAC provides services to the other Vhi group companies.
- Vhi Investments DAC owns the line of business which trades as Vhi Swiftcare. The Vhi Swiftcare clinics exclusively provide services to Vhi Insurance DAC members.
- Vhi Group Services DAC is a shared service provider for the Vhi group companies and as such has transactions with the other entities within the Vhi group.
- Vhi Occupational Health DAC provides recruitment services to Vhi Investment DAC and Vhi Health Services DAC.

34. Subsequent events

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

35. Legal cases

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

36. Approval of financial statements

These financial statements were approved by the Board of Directors on 29 March 2018.

Energy Management and Sustainability

In 2017 Vhi consumed 5,027,936kWh of energy, consisting of:

3,835,035kWh of electricity

The main energy users of electricity include:

- Heating, ventilation and air conditioning **40%**
- ICT **38%**
- Lighting **18%**
- Kitchen **4%**

1,192,901kWh of fossil fuel (natural gas)

The main energy users of natural gas include:

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

Table 1: 2017 Energy and kg CO^2 Savings

Fuel	Energy Savings kWh	Kg CO^2 Saving
Electricity	303,417	111,354
Natural Gas	92,297	18,921
Total	**395,714**	**130,275**

Figure 1: Energy Savings 2017

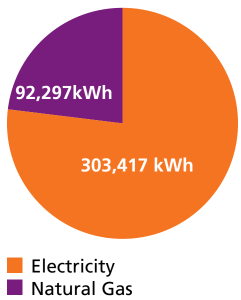
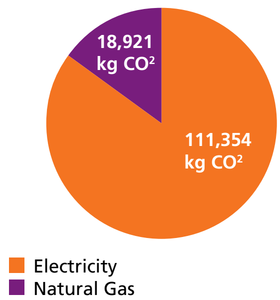


Figure 2: Environmental Impact Savings 2017



Actions Undertaken in 2017 included:

Heating, Ventilation and Air Conditioning (HVAC): Developed and implemented new control strategies for air conditioning systems in the Claims Unit, Vhi Kilkenny. Upgraded building energy management systems scheduling and control strategies for both Vhi Kilkenny and Vhi Abbey Street premises.

ICT: Server room virtualisation and improved server room air conditioning efficiency.

Lighting: Reviewed and improved lighting control for canteen areas in Vhi Kilkenny and Vhi Abbey Street premises.

Actions undertaken in 2017 for Vhi Abbey Street and Vhi Kilkenny, together with existing energy conservation measures, provided estimated total annual energy savings of 395,714kWh and reduced the environmental impact of energy use by 130,275kg CO^2.

Actions Planned for 2018 include:

- **Energy Management Programme:** Review, upgrade and implement the Vhi energy action plan for all Vhi sites for 2018. Review and update the Vhi energy action plan on a quarter yearly basis.
- **Energy Management Training:** Provide energy management training for Vhi Energy Management Team members.
- **Energy Monitoring and Targeting:** Upgrade and extend the automatic energy monitoring and targeting for Vhi Abbey Street and Vhi Kilkenny premises.
- **Heating, Ventilation and Air Conditioning:** Implement Building Energy Management System (BEMS) air conditioning night time temperature setback control strategies for Vhi Kilkenny. Review and optimise building energy management system control strategies for the Vhi Abbey Street office development.
- **Renewable Energy:** Assess and address renewable energy options for Vhi buildings, including solar photovoltaic (PV)

Actions planned for 2018 are estimated to provide total estimated annual energy savings of 195,000kWh and will reduce the environmental impact of energy use by 63,000kg CO^2.

Company Details

Offices Open
10am–4pm
Monday–Friday

Telephone
1890 44 44 44
056 444 4444

Lines Open
8am–7pm Monday–Friday
9am–3pm Saturday

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Cork

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Purcellsinch
Dublin Road
Kilkenny

Administrative Offices

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Headford Road,
Galway

Gweedore
Údarás na Gaeltachta
Business Park,
Gweedore,
Co Donegal

Limerick
7th Floor,
Riverpoint,
Bishop's Quay,
Limerick

Vhi Clinical Practices

Vhi SwiftCare Clinic
Rockfield Medical Campus
Balally, Dundrum,
Dublin 14

Vhi SwiftCare Clinic
Columba House,
Airside Retail Park,
Swords,
Co. Dublin

Vhi SwiftCare Clinic
City Gate,
Mahon,
Cork

Vhi Corporate Solutions
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Old Naas Road,
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Vhi Medical Screening Centre
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Mahon,
Cork

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Digital TouchPoints

Vhi Digital Medical Assistant App

www.vhi.ie

MyVhi.ie

Notes