Helping our customers live longer, stronger and healthier lives

Vhi Annual Report and Accounts 2018

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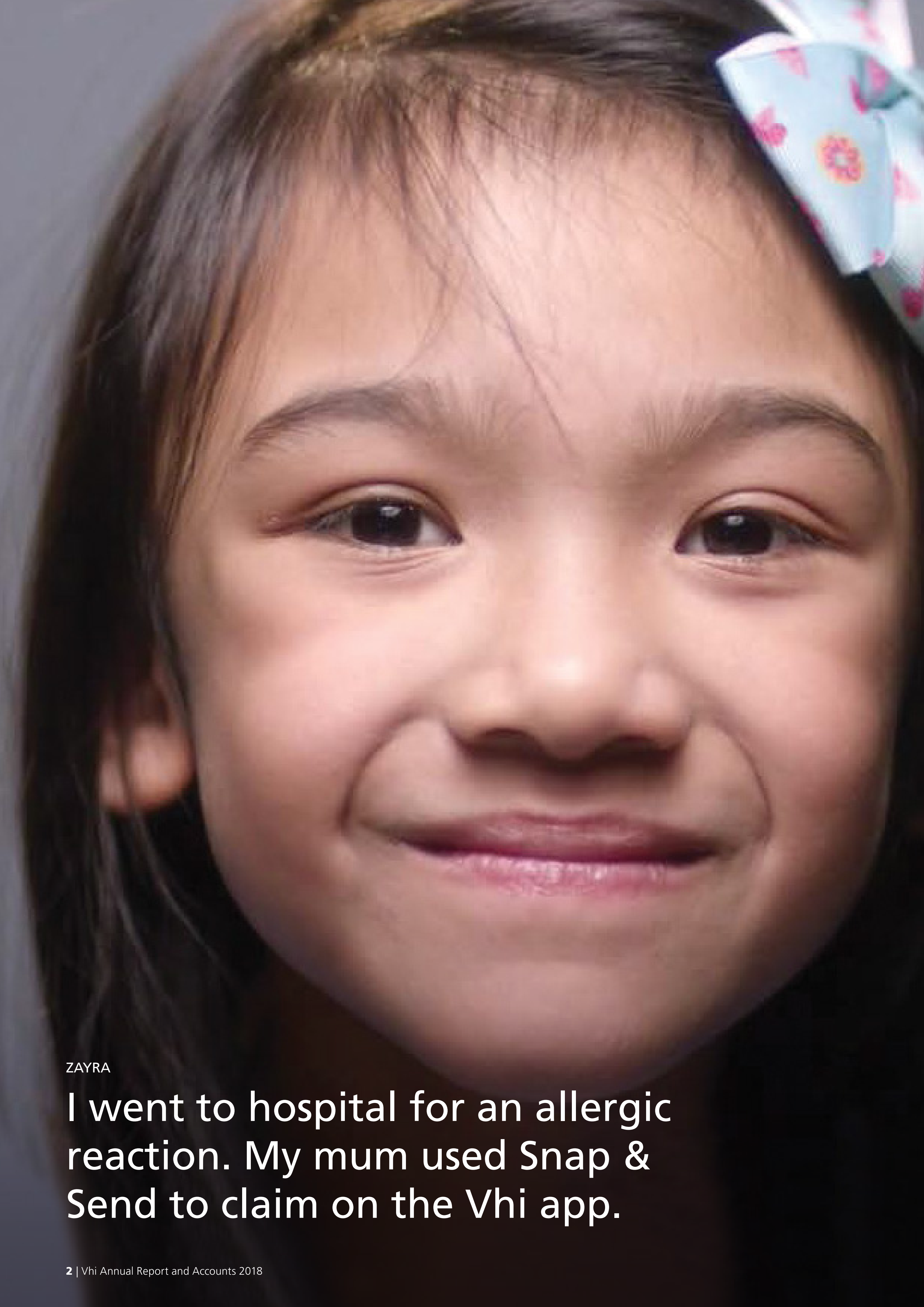


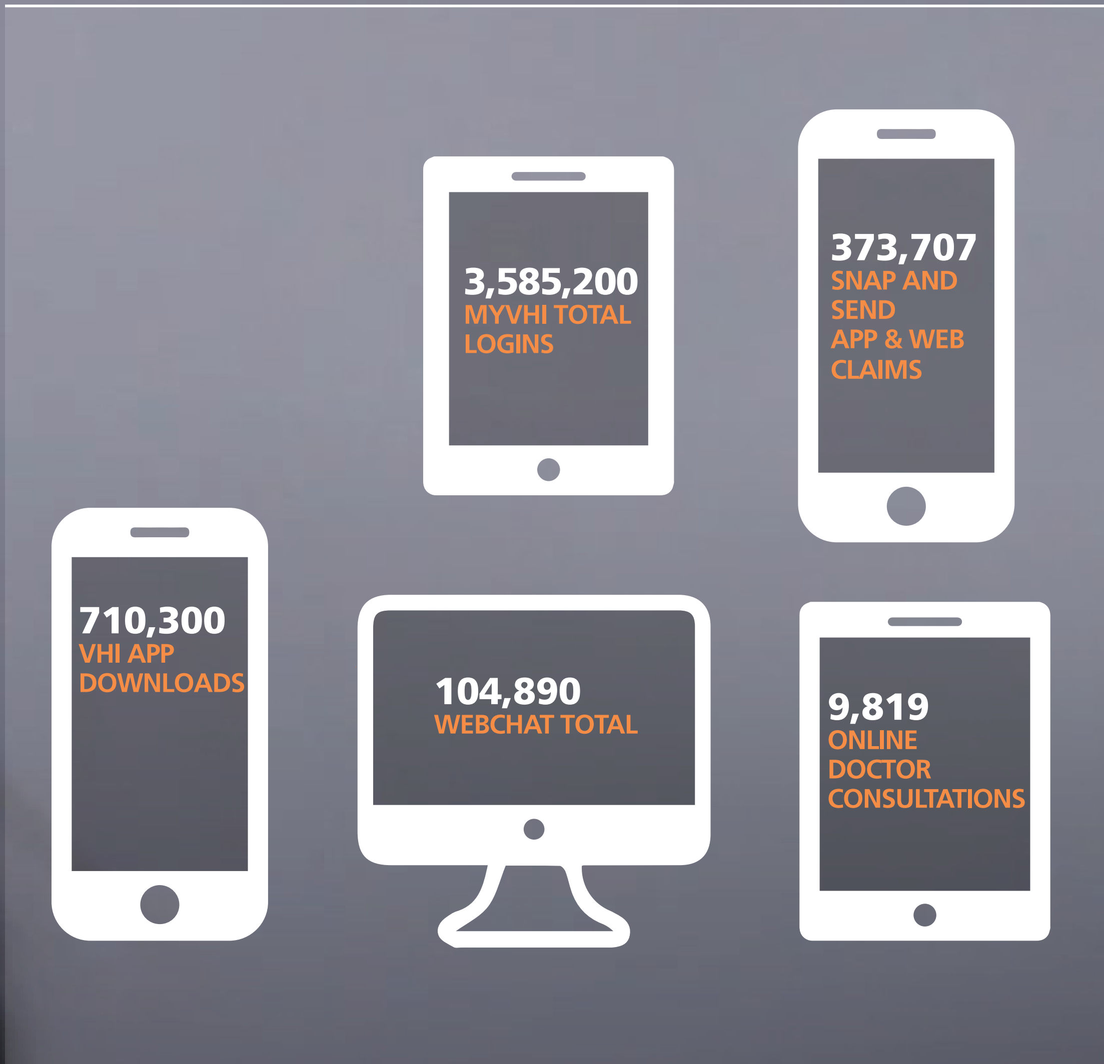
ZAYRA

I went to hospital for an allergic reaction. My mum used Snap & Send to claim on the Vhi app.

Digital Health and Wellness

3,585,200

In 2018 MyVhi users accessed their online accounts over 3.5 million times and the Vhi App was utilised over 710K times. Vhi have partnered with a number of innovative providers to bring a range of telehealth benefits and services to customers including Online Doctor, Nurseline 24/7, Health Screening, One to One Midwife and Mental Health Support.



Vhi Board of Directors




Liam Downey, Chairman,
Independent Non-Executive Director

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.

Joyce Brennan,
Independent Non-Executive Director

Joyce Brennan is an actuary with more than 25 years' experience. She is an Executive Director with Irish Pensions Trust Ltd, chairing boards of trustees of pension funds, to ensure excellence in governance. She is also a Non-Executive Director of a reinsurance company. Joyce has previously 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 health care committee of the Society of Actuaries in Ireland. Previous roles include Director with KPMG and Principal at Mercer. She has an MBA from UCD.

Celine Fitzgerald,
Independent Non-Executive Director

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.

Dean Holden,
Independent Non-Executive Director

Dean Holden is an Independent Non Executive Director of the Skin and Cancer Foundation, Australia and is Chair of a a start up organisation in aged care in the UK. In his 29 year executive career at Bupa, he was responsible for the growth and development of its health insurance, aged care and health services businesses across Australia and New Zealand He led Bupa's operations in Australia, New Zealand, Latin America, Spain, Saudi Arabia, Singapore, Hong Kong, the USA, Denmark and Thailand. He held a range of senior roles including Group Financial Controller, Managing Director of Bupa's Asia Pacific Division, Managing Director of Bupa's International Division and International Markets Division. Born and educated in the UK, Dean is a Chartered Certified Accountant (FCCA), has completed studies with Oxford University's Centre for Corporate Reputation, as well as the Advanced Management Program at Wharton Business School in the US.






Finbar Lennon, Independent Non-Executive Director

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 was a member of the Professional Conduct Committee of the Pharmaceutical Society of Ireland and served on its Practice Development Committee (2012–2016). He is currently an honorary lecturer in surgery in UCD and participates in the undergraduate teaching programme.

Declan Moran, Director, Marketing and Business Development

Declan 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 Moran has a BSc in Computer Science and is a Fellow of the Institute of Actuaries since 1994.

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.

Paul O'Faherty, Independent Non-Executive Director

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, Independent Non-Executive Director

Greg Sparks is a former partner of RSM Farrell Grant Sparks. Greg holds a number of Board appointments in the private sector both domestically and internationally, including Digicel and Joe Duffy Motors. Recently he has been appointed as Chair to VistaMilk SFI Research Centre. Greg has served on the Boards of The Irish Times, Jigsaw and eir and chaired the Coombe Hospital for a number of years.

Brian Walsh, Director, Finance

Brian joined Vhi in November 2014 as Finance Director and was appointed to the Board in March 2015. Prior to joining Vhi, he worked with DPI Specialty Foods Inc., Los Angeles, a division of global food and ingredients company Ornua. Previously, Brian led a successful private equity fund, focused principally on continental European markets. He has held Board and executive 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 eir. Brian is a Fellow of Chartered Accountants Ireland, having qualified with PwC, and is a Chartered Director of the Institute of Directors. He 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 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 Institute of Directors, the Insurance Institute of Ireland, 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

Tim is responsible for facilitating the development of Vhi's overall corporate strategy and leading strategic transformation programmes to support corporate development and innovation. His current role is to drive the strategy to deliver solutions to meet the future healthcare needs of our customers within Vhi Health & Wellbeing DAC. 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 10 years in both the European Commission and the private sector. He holds a BA in Politics from UCD and an MA in European Policy from 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 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 Moran 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, 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 joined Vhi in November 2014 as Finance Director and was appointed to the Board in March 2015. Prior to joining Vhi, he worked with DPI Specialty Foods Inc., Los Angeles, a division of global food and ingredients company Ornua. Previously, Brian led a successful private equity fund, focused principally on continental European markets. He has held Board and executive 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 eir. Brian is a Fellow of Chartered Accountants Ireland, having qualified with PwC, and is a Chartered Director of the Institute of Directors. He holds graduate and post-graduate degrees from University College Dublin.

JIMMY

Vhi covered my hip replacements to help me walk properly. Now I'm back playing golf.

Vhi Claims

€1.328 billion

In 2018 Vhi paid €1.328 billion in meeting the healthcare needs of our customers and processed almost 1.2 million claims. Claims for orthopaedic care including hip and knee replacements amounted to €153.8m.

Top 6 Conditions Treated

Cancer & Related Care	€174.3m
Heart & Circulatory System	€159.5m
Orthopaedic Care	€153.8m
Digestive System	€105.3m
Central Nervous System	€80.7m
Respiratory System	€72.6m

Chairman's Review

2018 Results and Outlook

Macroeconomic conditions remained very favourable during 2018 which in turn translated into increased demand for private medical insurance. The total number of customers in the private health insurance market grew for the third consecutive year to reach 2.2 million towards the end of 2018.

Against this background I am pleased to present the Annual Report and Accounts for the year ended 31st December 2018 which show that, Vhi delivered all its key financial targets for the year. In addition, we continued to grow membership and also increased market share. Vhi now has a private medical insurance membership of 1.106 million in 2018 compared to 1.075 million in 2017 representing a year-on-year growth of 2.9%.

In 2018 we built on the success of previous years by delivering a range of new services that make a difference to our customers' lives. Vhi added new services including a new consultant-led paediatric clinic at the Vhi SwiftCare Clinic in Dundrum. We also added new genetic testing services, fertility services, and gender re-assignment benefits. In 2019, our focus will be on expanding our range of unique healthcare services even further and on making them more accessible to our customers throughout Ireland.

A positive outlook is expected to continue over the near-term. Significant downside threats exist however, including the impact of Brexit, the continued pressure on disposable income, as well as the potential impact of protectionist trade policies and tax regimes internationally on foreign direct investment in Ireland. There are a number of other challenges and opportunities most notably, the ability to service the healthcare demand of customers while maintaining affordable premiums as well as achieving sustainable regulatory solutions to address market imbalances.

Healthcare Demand

As a result of the changing demographics and ageing of our population we face significant healthcare challenges over the years to come. A recent Economic & Social Research Institute publication indicated that an increase in public beds of up to 40% will be required by 2030. Although Ireland has among the highest per capita healthcare spend in the OECD, it lags behind EU and OECD averages in terms of access, health outcomes, and resourcing. Pressure on our healthcare system will increase significantly, with the ESRI forecasting that demand for healthcare will increase substantially by 2030 compared to 2015 levels. The healthcare model in place in Ireland today will not be fit for purpose over the next decade for both the public and private healthcare systems.

In addition, healthcare cost inflation is rising more rapidly than people's incomes. This puts real pressure on affordability and, in turn, pressure on health insurers around the world to continue to drive value for money. That is why our focus on cost has been, and will be, unrelenting. Vhi is the only health insurer in Ireland to reinvest its profits back into the business directly for the benefit of Vhi customers. Vhi exists solely to meet the healthcare needs of our customers and over the past year we have delivered value for our customers by enhancing the benefits available on all our private health insurance plans while simultaneously reducing prices.

Chairman's Review Continued

The Government and the Oireachtas has responded to Ireland's healthcare challenges with Sláintecare, a new vision for the future of healthcare in Ireland which involves significant investment in developing new primary and acute care capacity, integrated care and chronic disease management programmes. As these plans take shape Vhi continues to adapt and plan for the future and believe that we can play a key role in the evolution and development of future healthcare policy.

Market Regulation – Focusing on Efficiencies, Chronic Disease Management and Better Healthcare Outcomes

Community rating is the system of health insurance in Ireland where everyone pays the same price for the same product regardless of their age or health status. This is universally accepted as a fair and equitable form of private health insurance because without it those who are most in need of private health insurance, older and sicker people, would be priced out of the market. In 2012 a long overdue permanent system of risk equalisation was introduced to support the PMI market, a very important development, and one that was designed to protect and secure the community-rated health insurance market. However, a risk-sharing system should not be static; it must evolve as market dynamics change. The scheme as it stands still only equalises approximately 50% of the healthcare costs of older and less healthy customers. This must change to incentivise all companies to compete on the basis of quality of care and not on the basis of cherry-picking younger, healthier and potentially more profitable customers.

In this regard, Vhi welcomes the progress made by the Department of Health and its Risk Equalisation Working Group in its examination of improved health status credits for the new risk equalisation scheme commencing in 2021. Significant investment in chronic disease services is dependent on improved health status credits and as such it is important that a high-cost claimant pool credit is available from 2021 and a complementary credit system based on Diagnosis Related Groups (DRG) is introduced as soon as possible.

Further improvements in risk equalisation are required to change the basis of competition so that companies are rewarded for delivering efficiencies and providing better health outcomes for customers. In particular, it is essential to provide encouragement and greater recognition for the support of customers of all ages with chronic diseases.

The Irish economy has recovered strongly and, as a consequence, the PMI market continues to expand. Now is the time to take the steps required to improve the risk equalisation scheme in the private health insurance market in Ireland. We need only look to Australia, the most comparable international community rated market, to see that a voluntary health insurance market can sustainably redistribute a higher percentage of premiums to support its most vulnerable customers and promote investment in better care and superior outcomes.

In addition to the healthcare and regulatory challenges our customer expectations are evolving. Our customers expect the same quality of customer experience that they receive from leading global consumer brands. Also, new market entrants utilising disruptive technologies and business models pose a significant challenge to established private medical insurers, both in Ireland and globally.

Our Business Strategy – Meeting Customers' Needs

Vhi's strategy is designed specifically to address the wants and needs of our customers. Our customers have told us that they want access to superior health and wellbeing services, an excellent customer experience both online and offline, and affordable products which are tailored to their stage in life.

Successfully delivering on our business strategy has enabled Vhi to increase our private medical insurance membership for each of the last four years. This growth comes despite challenging market conditions including an ageing population, increased incidence of chronic disease, medical inflation, and a community-rated market where the risk of insuring older and sicker customers is only partially equalised. During 2018, the Board reviewed and reaffirmed its commitment to its business strategy and believes that the strategic direction outlined will best position the organisation to respond to customers' changing health requirements and to overcome the challenging market conditions. Vhi is committed to delivering on its 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 and has put in place appropriate measures to comply with the Central Bank of Ireland's Corporate Governance Requirement for Insurance Undertakings 2015 and the Code of Practice for the Governance of State Bodies 2016 to deliver value to all our key stakeholders over the long term. During 2018 Vhi established a new business entity, Vhi Health & Wellbeing DAC, to develop medical health and well-being services for Vhi customers.

In line with good practice, Vhi continues to strengthen its risk management systems, processes and reporting procedures and continues to enhance its risk management framework to strongly position the company to identify and manage all risks. The risk management strategy supports the business strategy and aims to reduce the threats to business growth, preserve the core assets of the business, and protect the interests of Vhi's stakeholders.

In 2018 Vhi undertook a major programme to adopt the General Data Protection Regulation (GDPR). This included extensive communications to our customers and process changes to ensure Vhi meet the highest standards of data privacy expected by our customers.

Vhi also reviewed and refocused our company values to help support the evolution of the business and the execution of the business plan. Vhi's values are Customer Driven, Integrity, Innovation, Empowerment, and Courage and these together with the accompanying behaviours are an essential platform for our continued success in the future. These revised values were developed in consultation with our employees and rolled out across the organisation, enhancing the consumer protection framework to ensure the customer is at the heart of all that we do.

Vhi has always recognised that diverse and inclusive organisations provide better outcomes for both employees and customers. In 2018 we established a Diversity and Inclusion Steering Committee to further develop this agenda at Vhi and ensure the implementation of the strategy across the company.

I would like to express my sincere thanks to the members of the Board, the Chief Executive and the staff of Vhi for their valuable contribution throughout the year. I am delighted that John O' Dwyer has accepted the Board's invitation to extend his contract of service as CEO to ensure continuity of strong leadership for the implementation of our strategy. I welcome Dean Holden to the Board of Directors of Vhi. He brings a wealth of international experience in senior executive roles in health insurance and healthcare provision. I also welcome the re-appointment of Celine Fitzgerald, Finbar Lennon and Greg Sparks to the Board.

I would also like to acknowledge the contribution and commitment of Dr Ruth Barrington and Seamus Creedon whose terms of office on the Board expired during the year.

The strong business performance is testament to all of their efforts. Finally and most importantly I would like to thank our valued and loyal customers whom we will continue to serve to the best of our ability over the coming months and years.

L. Downey

Liam Downey
Chairman

Operations Review

I am pleased to report that 2018 was a year of further progress for Vhi Group, strengthening our financial position and continuing to invest to support our customers to live longer, stronger, healthier lives.

The business continues to perform well across all key performance indicators and is strongly capitalised.

Our consolidated business operations reported a net surplus of €82.4 million including private medical insurance, diversified insurance and proprietary healthcare services. Vhi paid healthcare claims of €1.328 billion during the year, claims paid remaining steady year on year. 2018 also saw continued growth in sales, with corporate sales a highlight. For the fourth year in a row, our private medical insurance membership grew and now stands at 1.106 million up from 1.075 million in 2017.

Our multiline business, including Dental, Travel, International and Life, has also performed well and experienced sustained membership growth on all products. Through sustained efforts and excellent products and service approximately 422k people have chosen our allied insurance offerings. In total Vhi now has approximately 1.18 million unique insurance customers.

During 2018, Vhi continued through product and price changes to improve value by delivering the best medical; health and wellbeing care for our customers at the most affordable prices. The price changes were to a large extent facilitated by a reduction in public hospital claims costs but any savings generated were directly re-invested back into the provision of additional benefits for customers as well as keeping prices affordable. Vhi is the only health insurer in Ireland to reinvest its profits for its customers.

A core element of Vhi's vision is to offer our customers a superior healthcare proposition that meets their individual healthcare needs for convenient and affordable access to the best quality care. Having taken full ownership of the Vhi SwiftCare Clinics in 2017, Vhi has invested in these facilities to further expand the range of services available to our customers. Specifically, we launched a new consultant led paediatric service whereby patients can be seen within 48 hours once referred by a GP. In 2018 approximately 1,000 Vhi customers availed of Vhi Hospital@Home, a consultant led service which offers Vhi customers hospital level care in the comfort of their own home and can facilitate early discharge from hospital or in some cases avoid admission altogether for particular approved treatments. Since the service began in 2010 over 8,000 people have been treated, saving over 107,000 hospital bed days and delivering €39m in savings.

The way customers interact with Vhi has changed with many now opting for digital solutions. Vhi has responded by creating innovative services and offerings for customers online. In 2018 Vhi launched the "Online Advantage" programme, recruiting and rewarding customers doing business with Vhi online. Technical solutions were developed making it easier for customers to manage their policy through www.vhi.ie, using webchat and allowing them access to many policy benefits through the Vhi App including Snap & Send for submitting outpatient claims, and access to the Online Doctor. The campaign helped drive awareness and use of these services as well as increasing the proportion of customers opting for digital interactions from 32% to 58% in 2018. Recent changes in data protection legislation also require Vhi to correspond directly with each adult aged over 18 years and not just the policyholder. The "Online Advantage" helped facilitate direct engagement with these customers.

Operations Review Continued

Key Financial Results

The key financial results for Vhi Group during 2018 were as follows:

- After tax results to 31 December 2018 showed a net surplus of €82.4 million for Vhi's consolidated business activities compared with €75.3m in 2017.
- Income from insurance products and services other than private health insurance amounted to €31.2 million during the year up from €27.8 million in 2017.
- Gross earned premium for 2018 came to €1.414 billion compared with €1.480 billion in the previous year.
- In 2018 PMI membership grew to 1,106 million up from 1,075 million in 2017
- At the end of December 2018, Vhi had free reserves of €676 million representing an increase of €65.1 million or 10.6% increase compared with the previous year's position.
- Total gross claims paid in 2018 totalled €1.328 billion, remaining steady year on year.

Putting our customers at the heart of what we do

At Vhi, the aim is to provide customers with timely access to the care they need. This means providing them with quality healthcare and access to the latest treatments, medicines and technologies and wellbeing services delivered in the most cost effective setting. We recognise that customer's expectations are rising all the time and are determined to anticipate, meet and exceed those expectations. Customers are looking for affordable, quality healthcare solutions that are readily available. For 2018 and beyond we will continue to prioritise investment in customer experience.

Year on year Vhi approve new drugs, new indications for those drugs and new procedures and associated technologies. Vhi also reviews product benefits to ensure that they are reflective of modern medical practice. In 2018, for example, we introduced two new benefits covering genetic testing for hereditary cancer and molecular profiling for malignant tumours. Vhi has also partnered with a number of innovative providers to bring a range of telehealth benefits and services to customers such as Online Doctor, Nurseline, preventative health checks and Beats Medical which has an app to help children with dyspraxia. In 2018 there were 90,000 telehealth interactions with Vhi customers and the expectation is that this will continue to grow.

Most importantly our customers want to know that we are there when they need us and in this regard during 2018 Vhi processed almost 1,206,000 claims meeting the healthcare needs of our customers.

The most significant areas of claims expenditure during 2018 were:

Cancer & Related Care	€174.3m
Heart & Circulatory System	€159.5m
Orthopaedic Care	€153.8m
Digestive system	€105.3m
Central Nervous System	€80.7m
Respiratory Illness	€72.6m

(These figures are based on claims relating to admissions in 2018 and processed up to the 15th March 2019).

Keeping Health Insurance Affordable through Claims Cost Management

Vhi is committed to ongoing cost containment and we work to ensure that procedures are being carried out in the most effective setting, working with providers to reduce length of stay and to ensure that care is delivered to the highest standards and in the most clinically appropriate setting.

Our Special Investigation Unit (SIU) which now has 25 staff recovered approximately €151.6 million since its establishment in 2009. The team includes certified fraud examiners as well as other experienced investigative staff. In 2018 the savings made by the SIU amounted to €24.8 million.

Delivering Better Healthcare Outcomes for our customers

Keeping private health insurance affordable while delivering better health outcomes for our customers is at the heart of the Vhi strategy. Vhi continues to offer the security of a multi-annual full cover contract with all private hospitals and treatment centres in Ireland. In addition, during 2018, Vhi concluded a three-year agreement with consultants. Through this agreement, consultants registered with Vhi agree to accept the professional fee benefits for agreed services, performed in hospital or in consulting rooms, in full settlement of their bills, leaving customers free from financial uncertainty at a time when they are vulnerable. This agreement also assists Vhi as it provides visibility and certainty on professional fee costs for its duration.

Vhi continues to partner with Private Hospitals around the delivery of the Better Health Outcomes Programme, the focus of which is to produce quality healthcare outcomes and an improved patient experience for Vhi customers. The Better Health Outcomes Programme measures Patient Reported Experience Measures (PREMs), Patient Reported Outcome Measures (PROMs) and Clinical Quality Indicators as steps to foster continuous quality improvement and drive the quality agenda in healthcare.

Diversified Business

Vhi is committed to continuously innovating and developing the portfolio of products and services. Currently Vhi provides a range of additional products and services for customers including:

Vhi Travel

The number of people going on holidays continued to increase in 2018 and this contributed to another strong year of growth for our MultiTrip product.

Vhi International

Vhi International provides expatriate insurance cover for people who move abroad for more than six months. Importantly, it provides continuity of cover when returning to Ireland so there is no break in benefits when customers return back to Ireland. Vhi International continues to resonate strongly with Vhi customers moving abroad for more than 6 months.

Vhi Dental

The increase in awareness of dental and oral health in Ireland has contributed to strong growth for Vhi Dental. Vhi Dental provides 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 800 dentists in the Vhi dental network, there is a good geographic spread of dentists that allow customers have a seamless claims experience.

Vhi Life

In July 2018, Vhi expanded our Life Insurance product offering with the introduction of Vhi Mortgage Protection. The ease and simplicity of purchase of the Term Life and Mortgage Protection products appeals to this market.

Sponsorship and CSR

As Ireland's largest health insurance company, Vhi has a role to play in supporting our customers to lead a healthy and active lifestyle and to inspire and help people discover their healthiest self. Vhi's sponsorship programme is focused on participative running and partners with two of the biggest running events in Ireland – the Vhi Women's Mini Marathon and parkrun in partnership with Vhi.

2018 was the fourth year as title sponsor of the Vhi Women's Mini Marathon and this year Vhi PMI customers who registered for the event had the opportunity to claim back their event entry fee. Through Vhi's partnership with parkrun Ireland, Vhi is bringing communities together by engaging in an activity that improves mental and physical health and boosts community morale. In 2018 the Vhi parkrun roadshow visited more than 20 parkrun locations throughout Ireland. In addition, Vhi launched a pilot rewards programme for Vhi customers to claim running related rewards for taking part in parkrun and thereby supporting customers to lead a healthy and active lifestyle.

Under Corporate Social Responsibility, Vhi supports 'Run for Fun' a programme run in conjunction with the Irish Youth Foundation. The programme encourages young people living in vulnerable communities in Dublin, Kilkenny, Cork and Galway to embrace the benefits offered through running. Its mission is to empower and build the self-esteem of young people through a fitness and nutrition programme with running at its heart and culminates in each youth group taking part in their local parkrun. Vhi is also very active in the Junior Achievement Programme, particularly in Kilkenny.

Conclusion

Vhi is pleased to have brought new programmes; new initiatives and new product benefits to market in the last twelve months that are helping to support our loyal customers live longer, stronger and healthier lives and prioritising investment in customer experience. Digital technology has been a key enabler. At Vhi we are committed to improving our customers' experience at every point of their journey with us. Continuous and transformational change is required to keep up with the changes in the market and the changing customer expectations. This requires us to evolve and adapt so that we continuously improve into the future whilst retaining our unique heritage and customer focused ethos.

John O'Dwyer
Chief Executive

SARAH

There's a history of cancer in my family so I was screened in the Vhi Medical Centre for peace of mind.

Vhi Screening

109,254

In 2018, 9,254 health screenings and health check assessments were carried out in Vhi's accredited medical centres located in Dublin and Cork. Since 2009, over 109,000 screenings have been completed.

Wellness at Work

319,100

Vhi Corporate Solutions provided Employee Assistance Programmes supporting 319,100 people including 18,800 calls to the helpline.

Vhi Hospital@Home

1,000

In 2018, Vhi Hospital@Home treated almost 1000 patients saving 15,622 hospital bed days and delivering €3.44 million in savings.

Directors' Report for the Financial Year ended 31 December 2018

The Directors present their 62nd 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. Vhi Insurance DAC was incorporated as the insurance entity and Vhi Healthcare DAC was incorporated as the retail intermediary ("Regulated Entities"). The Vhi Board operates medical provision services through Vhi Swiftcare clinics and Vhi Hospital@Home.

Business Review and Results

The consolidated results for the year ending 31 December 2018 are set out in the income and expenditure account shown on page 29. The consolidated Vhi Board surplus after tax for the year is €82.4m (2017: €75.3m).

During 2018, Vhi continued to reinvest profits in its customers. This is achieved through product innovation, benefit development and enhancing customer engagement platforms. During 2018, Vhi implemented price reductions for its customers, invested in new medical benefits and delivered additional dedicated services including paediatric clinics at Vhi Swiftcare. Vhi also further expanded its digital capability providing a variety of new platforms and services which makes it easier for customers to be served by Vhi. Our customers were incentivised to avail of these services through a once-off reward programme where they could opt for online documentation and automated payments.

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

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 and will continue to invest in medical benefits and services for its customers.

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 and compliance 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 conduct and 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, as required by section 225 of the Companies Act 2014, the Directors confirm in respect of the companies that these apply to, 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 2018.

The governance arrangements adopted by Vhi include:

- a clear organisational structure;
- well defined transparent and consistent lines of responsibility;
- effective processes to identify, 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 2018 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 eight meetings during 2018 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		Investment Committee	
	A	B	A	B	A	B	A	B	A	B
Dr Ruth Barrington			1	1						
Joyce Brennan	8	8			4	4	6	6		
Seamus Creedon							1*	1	1	1
Liam Downey	8**	8			4	4				
Celine Fitzgerald	7	8			4*	4				
Dean Holden	8	8	3	4			5	5		
Finbar Lennon	8	8	5	5						
Declan Moran	8	8					6	6		
John O'Dwyer	8	8					5	6	3	4
Paul O'Faherty	7	8	5	5			6*	6	4*	4
Greg Sparks	8	8	5*	5					3	3
Brian Walsh	8	8								

*Chairperson of Committee **Chair of the Board

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

Note: Dr. Ruth Barrington resigned on the 27th of March 2018 and Seamus Creedon resigned on the 21st of February 2018. Dean Holden was appointed on the 31st of January 2018.

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 policy and process in place to ensure the independence of the external 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, monitoring senior management performance and remuneration associated terms.

Directors' Report for the Financial Year ended 31 December 2018 (continued)

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.

Investment Committee

The Investment Committee comprises non-Executive and Executive Directors as well as senior managers with the principal purpose of overseeing, reviewing and monitoring the insurance investment portfolio.

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 is supported in 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 2018 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 in a community rated market

Risk equalisation is a process that aims to spread claims costs of the higher-risk less healthy policy members 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 effective operation of the community rated market. 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 and sustainability of the community rated market. Significant differences in risk profiles exist between the competing insurers in the Irish market, which is community rated. In addition, it places insurers covering a disproportionate share of higher risk 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. These include:

- market risk where reductions in investment values are not matched by changes in the value of our liabilities. Market risk is 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 payments and availability of cash resources are mismatched

Vhi principally invests in high quality debt securities whose term matches the short-term nature of our liabilities, in accordance with prudent investment policies that are implemented by management, monitored by the Investment Committee 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. 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 failure or breach of its information technology systems). 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.

Environmental Matters

Vhi's energy efficiency and energy management programme is governed by national public sector obligations with regard to energy management and energy efficiency. The National Energy Efficiency Action Plan (NEEAP) sets a target for the public sector to improve its energy efficiency from 33% by 2020 and to play an exemplary role in terms of energy efficiency and reducing carbon emissions.

In addition, Vhi are required, under The European Union (Energy Efficiency) Regulations 2014, to be an exemplar with regard to energy management and to report energy consumption and energy efficiency progress based on energy performance indicators annually. Vhi's energy efficiency is reported and monitored each year by the Sustainable Energy Authority of Ireland from the baseline year of 2009 to 2020. Based on 2017 final energy consumption data, it was reported that Vhi have improved energy efficiency by 39% since 2009 and reduced Vhi's overall Carbon Footprint by 24% (605,283 kgCO2). This was achieved in spite of an increase in the total office floor area.

Energy saving actions undertaken in 2018, together with existing energy conservation measures, provided estimated total annualised energy savings of 349,181 kWh and reduced the environmental impact of energy use by 88,814 kgCO2.

Vhi's overall office floor area increased in 2018 due to the expansion and refurbishment of the Abbey Street Office. During the design it was ensured that the development included enhanced and improved environmental and energy efficiencies systems which included some of the items listed in the "Energy Management and Sustainability" section in the Annual Report.

Vhi is compliant with the Waste Management (Amendment) Act 2001 surrounding waste management and only uses licenced and permit approved Environmental Protection Agency (EPA) waste service providers for the disposal of waste.

Vhi is committed to constant improvement of the waste management programme following the guidelines set out by the National Waste Prevention Programme (NWPP). The majority of Vhi's waste is general office waste; split into general waste, recyclable, confidential recyclable and compost to ensure Vhi segregate as much waste as possible and reduce the requirement for landfill. Over 1,437 trees were saved from deforestation by recycling confidential papers with over 158,584 kg recycled in 2018.

In relation to Vhi's healthcare services, all clinical and hazardous waste comply fully with the IPC PP 109 Guidelines on the Segregation and Disposal of Healthcare Risk and Non-Risk Waste.

Vhi engage a DGSA (dangerous goods safety advisor), DCM Compliance, to audit Vhi's compliance with the European Communities (Carriage of Dangerous Goods by Road and Use of Transportable Pressure Equipment) Regulations and associated amendments. Vhi are also audited annually by the DGSA and Dublin City Council who audit Vhi's compliance with the storage of clinical waste and reporting on clinical waste volumes.

Vhi are committed to reducing waste and this was highlighted during 2018 through the "Online Advantage" offer encouraging members to transact with Vhi online resulting in an increase of 55% of members electing paperless correspondence. Vhi plan to remove single use plastic cups and cutlery from all offices in 2019 ahead of EU directive or Government direction.

A rainwater harvesting system was installed to new toilet facilities, reducing the need for treated water and volumes in surface water and combined water sewer system in Dublin and Kilkenny offices. An upgrade to smart technology on all new photocopying machines has reduced volumes of paper being printed. Vhi invested in audio visual meeting room technology to reduce the requirement for travel and paper copy information at meetings.

Directors' Report for the Financial Year ended 31 December 2018 (continued)

Employee matters and respect of human rights

Vhi has a comprehensive People Strategy for 2016–2020 in place. Vhi's Respect at Work policy is a central pillar of the Group's ongoing respect for employees. The policy's objective is to ensure that all employees' rights to a working environment free from harassment and bullying are maintained.

It is important to Vhi that the organisational values of Courage, Integrity, Customer Driven, Empowerment and Innovation are deeply embedded within the Vhi culture and all people management practices. During 2018 the value champion awards were run to recognise employees that demonstrated the core values of Vhi.

Employee engagement and feedback is very important in Vhi and a biannual employee survey is carried out with results and actions communicated accordingly. During 2018, Vhi's employee turnover rate was 8% with the average tenure being 11 years.

Employees are made aware of Vhi's internal code of conduct expectations through the Board approved 'Code of Conduct' policy. The Board approved 'Speaking-Up' policy sets out the framework for enabling employees within Vhi to raise genuine concerns and speak up in confidence about possible improprieties and puts in place a framework for appropriate and independent investigation and follow-up action.

The employee surveys provide a source of qualitative and quantitate feedback on employees' views on the organisation. The survey was completed by 80% of employees and is repeated every 2 years.

Vhi recognises a Trade Union for collective bargaining purposes and has a collective agreement in place in the event of a dispute with the company. Vhi also recognises union representation in disciplinary matters under Disciplinary and Grievance process agreements.

Diversity and inclusion

Vhi has always recognised the benefits of a diverse and inclusive organisation for both employees and customers. During 2018, Vhi put a renewed focus on diversity and inclusion recognising that diversity, in all forms, can improve decision making and enhance the culture within a company, and provide better outcomes for both employees and customers in the form of higher levels of employee engagement, a stronger employer brand, greater levels of innovation and enhanced service of our customers.

There are a number of positive initiatives and programmes in place to support diversity and inclusion at Vhi. These include:

- A Diversity and Inclusion ("D&I") Policy was published in 2017; this is supplemented by a number of other policies including a Respect at Work Policy, External and Internal Recruitment policies, an Equality Policy and a Code of Business Ethics Policy.
- There is a Board Diversity Policy in place.
- On an annual basis, the percentage of employees with disabilities is monitored; we ensure appropriate support for our disabled employees.
- Maternity leave, paternity, adoptive, carer's and parental leave are also supported.
- There is an Equality & Diversity section in the employee engagement survey.
- Vhi is a member of the 30% Club, a group of Chairs and CEOs committed to better gender balance at all levels of the organisation.
- In addition, Vhi recognises that our customers are diverse and this is reflected in the range of products and benefits Vhi supports.

In 2018, Vhi established a Diversity and Inclusion Steering Committee, chaired by our Chief Executive Officer, the role of which is to review, agree and oversee the implementation of a comprehensive D&I Strategy and ensure the implementation of this strategy across the Vhi Group. A Diversity and Inclusion survey was rolled out to all employees in September and October 2018 the purpose of which was threefold:

1. To provide feedback on where employees thought Vhi stood in relation to diversity and inclusion in the workplace;
2. To measure awareness of the policies and procedures currently in place;
3. To get employees' views on how diversity and inclusion could be further supported in Vhi.

Approximately 80% of employees completed all or part of the survey. Our actions for 2019 will be focused around three key areas, focussed to address our employees' feedback:

- Initiatives to raise the awareness of D&I across the Vhi Group including inclusive leadership and unconscious bias training.
- An examination of our flexible working policies and practices with a view to strengthening them.
- New initiatives to support the development of our people and the talent pipeline through formal mentoring and coaching.

Bribery and corruption

Vhi are committed to ethical conduct and adherence by employees and directors to the highest business ethics, professional and legal standards. Vhi's 'Code of Conduct' policy sets out principles to guide employees and members of the Boards of Directors in their day to day Vhi business conduct with specific reference to fraud, corruption, bribery and blackmail.

Vhi seek to ensure adequate, effective and cost efficient internal controls and audit processes exist to ensure that the Internal Control Framework is implemented in compliance with the Internal Control Policy.

The Code of Conduct, along with the other aforementioned policies, is brought to the attention of all employees during induction by the HR Function and on appointment to members of the Boards of Directors by the Company Secretary.

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 2018, are listed in note 31.

Subsequent events

Note 33 details the subsequent events post 31 December 2018.

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 Ireland LLP, 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
16 April 2019

Greg Sparks
Director
16 April 2019

Directors' Responsibilities Statement

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

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

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

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

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

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 31 December 2018 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; and
- the related notes 1 to 35, 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;
- the related notes 1 to 35, 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 issued by the Financial Reporting Council ("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, 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 group and parent 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 Ireland LLP
Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House, Earlsfort Terrace, Dublin 2
16 April 2019

Consolidated Income and Expenditure Account for the Financial Year ended 31 December 2018

	Notes	2018 €'m	2017 €'m
Technical Account			
Earned Premium, net of Reinsurance			
Gross written premiums	2	1,400.8	1,497.1
Outward reinsurance premiums		-	(294.9)
Change in gross provision for unearned premiums and unexpired risks	2,20	12.9	(17.7)
Change in the provision for unearned premiums, reinsurer's share	20	-	(149.0)
Earned Premium, net of reinsurance		**1,413.7**	**1,035.5**
Allocated investment return transferred from the non-technical account		**(4.6)**	**(1.4)**
Other technical income, net of reinsurance	4,5	155.1	126.6
Total Technical Income		**1,564.2**	**1,160.7**
Claims incurred, net of reinsurance			
Claims paid – gross amount	2	(1,328.0)	(1,329.4)
Claims paid – reinsurer's share		69.2	395.5
Change in the provision for claims – gross amount	2,20	67.9	(15.2)
Change in the provision for claims – reinsurer's share	20	(123.1)	(0.6)
		(1,314.0)	**(949.7)**
Net operating expenses	2,7	**(165.2)**	**(116.9)**
Balance on the technical account		**85.0**	**94.1**
Non-Technical Account			
Balance on the technical account		**85.0**	**94.1**
Investment income	9	(4.6)	(1.4)
Allocated investment return transferred to the insurance technical account		**4.6**	**1.4**
		85.0	**94.1**
Other Income	10	31.2	27.8
Other Expenses	11	(23.8)	(35.6)
Surplus on ordinary activities before tax		**92.4**	**86.3**
Tax on surplus on ordinary activities	12	(10.0)	(11.0)
Surplus on ordinary activities after tax	13	**82.4**	**75.3**

The notes on pages 36 to 61 form an integral part of these financial statements. The financial statements were approved by the Board of Directors and authorised for issue on 16 April 2019.

Consolidated Balance Sheet as at 31 December 2018

	Notes	2018 €'m	2017 €'m
Assets			
Investments			
Land and buildings	14	42.5	37.8
Other financial investments	15	1,149.3	1,146.0
		1,191.8	**1,183.8**
Reinsurer's share of technical provisions			
Claims outstanding	20	34.3	157.4
		34.3	**157.4**
Debtors			
Debtors arising out of insurance operations		427.3	451.1
Debtors arising out of reinsurance operations		3.2	5.1
Other debtors	16	320.9	318.7
		751.4	**774.9**
Other assets			
Intangible assets	18	5.1	5.5
Tangible fixed assets	19	22.0	7.1
Cash at bank and in hand		18.4	46.1
Deferred tax asset	17	2.8	2.3
		48.3	**61.0**
Prepayments and accrued income			
Deferred acquisition costs	22	5.0	5.1
Other prepayments and accrued income		5.4	4.8
		10.4	**9.9**
Total assets		**2,036.2**	**2,187.0**

Consolidated Balance Sheet as at 31 December 2018 (continued)

	Notes	2018 €'m	2017 €'m
Equity and Liabilities			
Capital and reserves			
General reserve		610.9	558.2
Comprehensive income		65.1	52.7
Shareholder's funds		**676.0**	**610.9**
Technical provisions			
Provision for unearned premium and unexpired risks	20	501.4	514.3
Claims outstanding	20,29,30	470.4	538.3
		971.8	**1,052.6**
Funds withheld for Reinsurer	21,30	**34.3**	**157.4**
Creditors			
Creditors arising out of direct insurance operations		40.6	60.8
Other creditors and accruals	23	277.6	270.5
	29	**318.2**	**331.3**
Retirement benefit liability	27	**35.9**	**34.8**
Total liabilities and shareholder's equity		**2,036.2**	**2,187.0**

The notes on pages 36 to 61 form an integral part of these accounts. The financial statements were approved by the Board of Directors and authorised for issue on 16 April 2019. They were signed on its behalf by:

L. Downey

Liam Downey
Chairman
16 April 2019

Greg Sparks
Director
16 April 2019

Board Balance Sheet
as at 31 December 2018

	Notes	2018 €'m	2017 €'m
Assets			
Other financial investments			
Investment in subsidiaries	15	479.7	479.7
		479.7	**479.7**
Debtors: Amounts falling due in 1 year		1.8	0.1
Total assets		**481.5**	**479.8**
Equity and Liabilities			
Capital and reserves			
General reserve		435.0	456.1
Comprehensive income		(6.1)	(21.1)
Shareholder's funds		**428.9**	**435.0**
Other creditors and accruals		**16.7**	**10.0**
Retirement benefit liability	27	**35.9**	**34.8**
Total liabilities and shareholder's equity		**481.5**	**479.8**

The notes on pages 36 to 61 form an integral part of these accounts. The financial statements were approved by the Board of Directors and authorised for issue on 16 April 2019. They were signed on its behalf by:

Liam Downey
Chairman
16 April 2019

Greg Sparks
Director
16 April 2019

Consolidated Statement of Cash Flows as at 31 December 2018

	Notes	2018 €'m	2017 €'m
Net cash from operating activities	24	**5.8**	**121.5**
Cash flows from investing activities:			
Proceeds from sale of equipment		–	0.1
Proceeds from sale of property		–	–
Purchase of property		(3.5)	(11.6)
Purchase of equipment		(19.5)	(12.2)
Investment and dividend income received		17.3	22.8
Net purchase of portfolio investments		(27.8)	(41.3)
Net cash flows from investing activities		**(33.5)**	**(42.2)**
Cash flows from financing activities:			
Loans (repaid)		–	(51.1)
Interest (paid)		–	(4.0)
Net cash flows from financing activities		**–**	**(55.1)**
Net (decrease)/increase in cash at bank and in hand		**(27.7)**	**24.2**
Cash at bank and in hand at beginning of financial year		46.1	21.9
Cash at bank and in hand at end of financial year		**18.4**	**46.1**

Board Statement of Cash Flows as at 31 December 2018

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

Consolidated Statement of Changes in Equity as at 31 December 2018

	Total €'m
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**
Surplus for the financial year	82.4
Actuarial deficit on pension fund	(17.3)
At 31 December 2018	**676.0**

Consolidated Statement of Comprehensive Income for the Financial Year ended 31 December 2018

	2018 €'m	2017 €'m
Surplus for the financial year	82.4	75.3
Actuarial deficit	(17.3)	(22.6)
Total	**65.1**	**52.7**

Board Statement of Changes in Equity as at 31 December 2018

	Total €'m
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**
Surplus for the financial year	11.2
Actuarial deficit on pension fund	(17.3)
At 31 December 2018	**428.9**

Board Statement of Comprehensive Income for the Financial Year ended 31 December 2018

	2018 €'m	2017 €'m
Surplus for the financial year	11.2	1.5
Actuarial deficit	(17.3)	(22.6)
Total	**(6.1)**	**(21.1)**

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 63. The nature of operations and the Vhi Board's operating and financial review are detailed in the Directors' report on page 20.

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, where the estimated value of claims and expenses attributable to the unexpired periods of policies in force at the reporting date exceeds the unearned premiums provision in relation to such policies after deduction of any deferred acquisition costs, an unexpired risks provision is established.

Risk Equalisation Scheme

Risk Equalisation Premium Credits consist 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 consist of amounts receivable from the fund for claims paid during the year. Health Insurance Levy 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 of levy relating to policies 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 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, derivatives, 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 an entity 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 any interest accrued on the reporting date.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value are recognised immediately in the non-technical income and expenditure account. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models as appropriate. Derivatives are included under "Other investments" in the note to the financial statements. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

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.

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

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.

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 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. 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:

	2018 €'m	2017 €'m
Gross written premium	1,400.8	1,497.1
Change in provision for unearned premium and unexpired risks (note 20)	12.9	(17.7)
Gross earned premium	**1,413.7**	**1,479.4**
Other technical income gross (note 5)	103.2	101.7
Claims paid – gross amount	(1,328.0)	(1,329.4)
Change in the provision for claims – gross amount (note 20)	67.9	(15.2)
Gross claims incurred	**(1,260.1)**	**(1,344.6)**
Ceding expense	–	(7.1)
Operating expenses	(165.2)	(116.9)
Reinsurance surplus	(2.0)	(16.9)

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

	2018 €'m	2017 €'m
Risk Equalisation Scheme – gross (note 5)	103.2	101.7
Risk Equalisation Scheme – reinsurer's share (note 5)	–	(30.5)
Reinsurance commissions*	51.9	55.4
	155.1	**126.6**

*The reinsurance contract expired on 31 December 2017 and is currently in run-off.

5. Risk equalisation scheme

	2018 €'m	2017 €'m
Risk Equalisation Credits		
Gross Amount	497.0	460.9
Reinsurer's Share	–	(138.3)
Health Insurance Levy		
Gross Amount	(393.8)	(359.2)
Reinsurer's Share	–	107.8
	103.2	**71.2**

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.

Notes to the Financial Statements (continued)

5. Risk equalisation scheme (continued)

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.

6. Unexpired risks

Each year the Directors assess whether it will incur deficits on the unexpired element of existing contracts. This was assessed by carrying out a liability adequacy test on the unexpired portion of the business. The principal uncertainty relates to the cost and volume of future claims. The amount provided at December 2018 is €19.5m (2017: €0m).

7. Net operating expenses

	2018 €'m	2017 €'m
Acquisition costs	15.1	14.7
Change in acquisition costs	(0.1)	–
Administration expenses	150.2	102.2
Net operating expenses	**165.2**	**116.9**

Administration expenses include one time "Online Advantage" costs associated with Vhi's customer incentive to migrate to digital correspondence and payment.

8. Employment benefits and directors remuneration

	2018 €'m	2017 €'m
Emoluments		
Aggregate emoluments paid by Vhi to directors	1.2	1.1
Contribution to defined contribution pension schemes	0.1	0.1
	1.3	**1.2**

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.

	2018 €'m	2017 €'m
The average monthly number of people employed during the financial year (including directors) was as follows:	1,390	1,326
Staff costs were:		
Wages and salaries	81.8	77.0
Social security costs	9.3	7.8
Other retirement benefit costs	9.6	6.2
Other compensation costs	5.6	2.1
	106.3	**93.1**

The total remuneration, including pension contribution, paid to the Chief Executive and included in net operating expenses in the year to December 2018 was €337,500.

9. Net investment return

	2018 €'m				
	Net investment income	Net investment expense	Net realised gains and (losses)	Changes in fair value	Net investment result
Corporate bonds	0.8	(0.7)	(0.5)	(4.5)	**(4.9)**
Government bonds	(1.5)	(0.3)	(0.2)	1.1	**(0.9)**
Collateralised securities	–	–	–	–	**–**
Collective investments	(0.2)	(0.1)	(0.4)	(0.4)	**(1.1)**
Deposits in banks	(0.1)	(0.1)	–	–	**(0.2)**
Other investments	0.1	(0.1)	(0.7)	3.2	**2.5**
	(0.9)	**(1.3)**	**(1.8)**	**(0.6)**	**(4.6)**

	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 investments	0.3	–	–	1.6	**1.9**
	(2.9)	**(1.1)**	**(7.6)**	**10.2**	**(1.4)**

10. Other income

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

	2018 €'m	2017 €'m
Commission income	21.0	17.1
Revenue from the provision of health services	10.2	10.7
	31.2	**27.8**

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.

	2018 €'m	2017 €'m
Expenses from the provision of health services	23.8	33.7
Interest expense	–	1.9
	23.8	**35.6**

Notes to the Financial Statements (continued)

12. Tax

	2018 €'m	2017 €'m
The tax charge in the income and expenditure account comprises:		
Current tax for year	10.5	12.5
Deferred tax (credit)	(0.5)	(1.5)
	10.0	**11.0**

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

	2018 €'m	2017 €'m
Surplus on ordinary activities before tax	**92.4**	**86.3**
Surplus on ordinary activities multiplied by standard rate of corporation tax of 12.5% (2017: 12.5%)	11.6	10.8
Effects of:		
Expenses not allowed for tax purposes	2.2	2.0
Capital allowances in excess of depreciation for financial year	0.1	0.1
Income taxable not reflected in the income and expenditure	–	0.1
FRS adjustments	0.1	0.1
Non-taxable items	(4.3)	(1.6)
Movement in expenses deductible when paid in respect of prior periods	0.6	1.0
Loss available for carry forward	0.2	–
Current tax for financial year	**10.5**	**12.5**

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.

	2018 €'m	2017 €'m
Auditors remuneration		
Audit of individual company financial statements	0.2	0.2
Other assurance services	0.1	0.1
Other non-audit services	–	–
	0.3	**0.3**

14. Land and buildings

	2018 €'m	2017 €'m
Valuation		
At 1 January	37.8	24.9
Additions	1.9	0.2
Work in progress	–	11.5
Disposals	–	–
Surplus on revaluation	2.8	1.2
At 31 December	**42.5**	**37.8**

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 2018 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:

	2018 €'m	2017 €'m
Consolidated		
i) financial assets at fair value		
Corporate bonds	726.1	565.8
Government bonds	236.5	325.9
Collateralised securities	–	3.1
Collective investments	139.6	44.4
Other unquoted investments	5.2	4.9
Derivatives	0.2	–
i) financial liabilities at fair value		
Derivatives	(0.1)	–
ii) at cost		
Deposits in banks	41.8	201.9
	1,149.3	**1,146.0**
Board		
i) at cost		
Investment in subsidiary	479.7	479.7
	479.7	**479.7**

Notes to the Financial Statements (continued)

16. Other debtors

	2018 €'m	2017 €'m
Amounts falling due within one year:		
Risk equalisation scheme	301.5	300.2
Other debtors	19.2	18.2
	320.7	**318.4**
Amounts falling due after one year:		
Other debtors	0.2	0.3
	320.9	**318.7**

The Risk Equalisation Scheme debtor includes the unexpired portion of the Health Insurance levy which amounted to €134.4m (2017: €130.0m).

17. Deferred tax asset

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

	2018 €'m	2017
Income taxed when received	–	–
Other timing differences	0.9	1.2
FRS prior year adjustments (including restatement)	(0.1)	(0.2)
Expenses deductible when paid	2.0	1.3
Total deferred tax asset	**2.8**	**2.3**

18. Intangible assets

	Software €'m	Total €'m
Cost:		
Balance at 1 January 2018	70.4	70.4
Additions	2.0	2.0
Retirements	(0.3)	(0.3)
Balance at 31 December 2018	**72.1**	**72.1**
Amortisation:		
Balance at 1 January 2018	(64.9)	(64.9)
Charge for the year	(2.4)	(2.4)
Retirements	0.3	0.3
Balance at 31 December 2018	**(67.0)**	**(67.0)**
Net book value:		
At 31 December 2018	**5.1**	**5.1**
At 31 December 2017	**5.5**	**5.5**

	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**

Notes to the Financial Statements (continued)

19. Tangible assets

	Motor Vehicles €'m	Fixtures, furnishings and fittings €'m	Computer /office equipment €'m	Medical Equipment €'m	Total €'m
Cost:					
Balance at 1 January 2018	3.0	15.4	23.0	0.5	41.9
Additions	0.8	13.1	5.3	0.1	19.3
Disposals	(0.5)	(3.6)	(1.0)	–	(5.1)
Balance at 31 December 2018	**3.3**	**24.9**	**27.3**	**0.6**	**56.1**
Depreciation:					
Balance at 1 January 2018	(1.9)	(14.7)	(17.7)	(0.5)	(34.8)
Charge for the year	(0.7)	(2.4)	(1.1)	(0.1)	(4.3)
Disposals	0.4	3.6	1.0	–	5.0
Balance at 31 December 2018	**(2.2)**	**(13.5)**	**(17.8)**	**(0.6)**	**(34.1)**
Net book value:					
At 31 December 2018	**1.1**	**11.4**	**9.5**	**–**	**22.0**
At 31 December 2017	**1.1**	**0.7**	**5.3**	**–**	**7.1**

	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	14.7	19.8	0.5	37.5
Additions	0.7	0.7	6.5	–	7.9
Disposals	(0.2)	–	(3.3)	–	(3.5)
Balance at 31 December 2017	**3.0**	**15.4**	**23.0**	**0.5**	**41.9**
Depreciation:					
Balance at 1 January 2017	(1.6)	(14.1)	(18.2)	(0.5)	(34.4)
Charge for the year	(0.5)	(0.6)	(2.8)	–	(3.9)
Disposals	0.2	–	3.3	–	3.5
Balance at 31 December 2017	**(1.9)**	**(14.7)**	**(17.7)**	**(0.5)**	**(34.8)**
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**

20. Technical provisions

	Provision for Unearned Premium and Unexpired Risks €'m	Claims Outstanding €'m	Total €'m
Gross Amount			
As at 31 December 2017	(514.3)	(538.3)	(1,052.6)
Movement in provision (note 2)	12.9	67.9	80.8
As at 31 December 2018	**(501.4)**	**(470.4)**	**(971.8)**
Reinsurance Amount*			
As at 31 December 2017	–	157.4	157.4
Movement in provision (note 2)	–	(123.1)	(123.1)
As at 31 December 2018	**–**	**34.3**	**34.3**
Net Technical Provision			
As at 31 December 2018	**(501.4)**	**(436.1)**	**(937.5)**
As at 31 December 2017	**(514.3)**	**(380.9)**	**(895.2)**

	Provision for Unearned Premium and Unexpired Risks €'m	Claims Outstanding €'m	Total €'m
Gross Amount			
As at 31 December 2016	(496.6)	(523.1)	(1,019.7)
Movement in provision	(17.7)	(15.2)	(32.9)
As at 31 December 2017	**(514.3)**	**(538.3)**	**(1,052.6)**
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)**	**(380.9)**	**(895.2)**
As at 31 December 2016	**(347.6)**	**(365.1)**	**(712.7)**

*Change in provision for claims includes claims expenses net of payments made in respect of the reporting period and change in provisions in respect of prior years' net of payments made, adjusted for reinsurer's share at the applicable quota share rates. The reinsurance contract has ended as at 31 December 2017 resulting in no provision for the reinsurer's 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.

	2018 €'m	2017 €'m
Funds withheld from reinsurer	34.3	157.4
	34.3	**157.4**

22. Deferred acquisition costs

Acquisition costs are expensed as the premiums to which they relate are earned. The amount of €5.0m provided for 2018 (2017: €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

	2018 €'m	2017 €'m
Risk Equalisation Scheme	188.3	191.8
Other creditors	27.4	27.3
Accruals	61.9	51.4
	277.6	**270.5**

The Risk Equalisation Scheme creditor includes the value of the provision for unearned premium credits at the year ended 31 December 2018 of €125.9m (2017: €134.3m).

24. Notes to the cash flow statement

Consolidated	2018 €'m	2017 €'m
Surplus on ordinary activities before tax	**92.4**	**86.3**
Add back depreciation	6.8	21.4
Defined benefit pension contributions in excess of charge	(16.2)	(11.7)
Finance expense	–	1.9
Investment loss	4.7	1.4
(Gain) on disposal of property, plant and equipment	(0.1)	(0.1)
Operating cash flows before movements in working capital	**87.6**	**99.2**
Decrease in deferred acquisition costs	0.1	–
Decrease/increase in insurance contract liabilities	(88.0)	15.2
Decrease in reinsurance asset	2.0	8.9
(Decrease)/increase in provision for unearned premium	(12.9)	17.6
Decrease/(increase) in receivables	20.4	(65.5)
Increase in payables	7.2	58.8
Working capital movements	**(71.2)**	**35.0**
Cash generated by operations	16.4	134.2
Income taxes paid	(10.6)	(12.7)
Net cash operating activities	**5.8**	**121.5**

25. Capital commitments

	2018 €'m	2017 €'m
Capital expenditure contracted for	5.8	11.6
	5.8	**11.6**

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 2018 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 2018 amounted to €24.0m (2017: €18.3m).

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 2018 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	**2018 %**	**2017 %**
Rate of increase in salaries	2.2	2.2
Rate of increase in pensions in payment	1.5	1.0
Discount rate	2.3	2.2
Revaluation	1.5	1.0
Inflation assumption	1.6	1.7

(ii) Long-term expected rates of return at financial year end are:	**2018 %**	**2017 %**
Equities	2.3	2.2
Fixed interest	2.3	2.2
Property	2.3	2.2
Other	2.3	2.2

(iii) Weighted average life expectancy for mortality tables used to determine benefit obligations at	**2018**	**2017**
Member age 65 (current life expectancy)	24.3	24.0
Member age 40 (life expectancy at age 65)	26.5	26.8

(iv) The assets in the pension scheme at market value were:	**2018 €'m**	**2017 €'m**
Equities	63.5	117.1
Fixed interest	111.1	65.8
Property	2.5	2.4
Other	104.2	81.5
Total market value of assets	**281.3**	**266.8**
Present value of scheme liabilities	(322.4)	(306.6)
Deficit in the scheme	**(41.1)**	**(39.8)**
Related deferred tax asset	5.2	5.0
Net retirement benefit liability	**(35.9)**	**(34.8)**

(v) Income and expenditure account	2018 €'m	2017 €'m
Charged to net operating expenses		
Retirement benefits		
Current service cost	(6.8)	(6.2)
Death in service cost	(0.3)	(0.4)
Other retirement benefits		
Charge to income & expenditure	(7.1)	(6.6)
Interest in scheme liabilities	(6.6)	(5.2)
Expected return on scheme assets	5.9	4.8
Past service cost	–	–
Net change in operating result	**(7.8)**	**(7.0)**

(vi) Statement of comprehensive income	2018 €'m	2017 €'m
Actual return less expected return on scheme assets	(13.5)	11.2
Experience gains and losses on scheme liabilities	2.1	(3.8)
Changes in demographic and financial assumptions	(6.1)	(31.7)
Actuarial (deficit)	**(17.5)**	**(24.3)**
Deferred tax	0.2	3.0
Total actuarial (deficit)	**(17.4)**	**(21.3)**

(vii) Movement in net deficit during the financial year	2018 €'m	2017 €'m
Net deficit in scheme at start of year	(34.8)	(23.6)
Current service cost	(6.8)	(6.2)
Death in service cost	(0.3)	(0.4)
Past Service cost	–	–
Contributions	24.0	18.3
Interest on scheme liabilities	(6.6)	(5.2)
Expected return on scheme assets	5.9	4.8
Actuarial (deficit)	(17.5)	(24.3)
Movement in deferred tax	0.2	1.8
Net deficit at end of financial year	**(35.9)**	**(34.8)**

Notes to the Financial Statements (continued)

27. Retirement benefit schemes (continued)

(viii) History of experience gains and losses	Year ended Dec-2018	Year ended Dec-2017	Year ended Dec-2016	Year ended Dec-2015	Year ended Dec-2014
Difference between expected and actual return on	(13.5)	11.2	10.8	2.5	17.0
assets % of scheme assets	(5%)	4%	5%	1%	9%
Experience (losses) and gains on scheme liabilities	2.1	(3.8)	(2.1)	9.9	(1.1)
% of scheme liabilities	1%	(1%)	(1%)	4%	(1%)
Total actuarial (deficit)/surplus	(17.6)	(24.3)	(22.2)	9.8	14.4
% of scheme liabilities	(5%)	(8%)	(9%)	4%	7%

(ix) Recognised within the Balance Sheet:	2018 €'m	2017 €'m
Net deficit as at 31 December	(35.9)	(34.8)

(x) Movement in group assets and liabilities:	2018 €'m	2017 €'m
Assets		
Assets in scheme at 1 January	266.8	235.1
Return on scheme assets (excluding interest income)	(13.5)	11.2
Employer contributions	24.0	18.3
Employee contributions	2.4	2.5
Interest on scheme assets	5.9	4.8
Insurance premiums for risk benefits	(0.3)	(0.4)
Benefits paid	(4.0)	(4.7)
Assets in scheme at 31 December	**281.3**	**266.8**
Liabilities		
Liabilities in scheme at 1 January	306.6	261.9
Experience gains and losses on scheme liabilities	(2.1)	3.8
Changes in assumptions	6.1	31.7
Current service cost	7.1	6.6
Employee contributions	2.4	2.5
Interest on scheme liabilities	6.6	5.2
Insurance premiums for risk benefits	(0.3)	(0.4)
Benefits paid	(4.0)	(4.7)
Liabilities in scheme at 31 December	**322.4**	**306.6**

28. 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 2018 with a solvency capital coverage ratio in excess of its tolerance range set by the Board.

Overall, Vhi Insurance DAC is well capitalised and this supported the decision of the Board of Vhi Insurance DAC to declare a dividend of €30m for 2018 to its parent, Vhi Group DAC, at the December 2018 Board meeting. The dividend was considered legally binding and declared as final.

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

	€'m
Capital resources at 1 January 2017	**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**
Surplus for the financial year	82.4
Actuarial deficit for December 2018	(17.3)
Capital resources at 31 December 2018	**676.0**

29. Financial risk management

The Vhi Board operates an enterprise risk management framework 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. Derivative financial instruments are held for hedging purposes only.

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.

29. 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:

	2018 €'m			
	Level 1	**Level 2**	**Level 3**	**Total**
Corporate bonds	–	726.1	–	726.1
Government bonds	–	236.5	–	236.5
Collateralised securities	–	–	–	–
Collective Investments	–	139.6	–	139.6
Other investments	(0.1)	–	5.4	5.3
Financial investments at fair value	**(0.1)**	**1,102.2**	**5.4**	**1,107.5**

	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**

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 has been an increase in the Board's market risk exposure in the financial year reflecting a slightly increased appetite for market risk. There were no other significant changes 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 mostly denominated in Euro. Any currency risk from assets denominated in foreign currencies is minimised using suitable hedging contracts. This represents a small proportion of the financial assets.

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	
	2018 €m	2017 €m	2018 €m	2017 €m
Increase in interest rates	(23.4)	(11.9)	(20.5)	(10.4)
Decrease in interest rates	1.4	0.4	1.2	0.3

The Vhi Group's sensitivity to interest rate fluctuations has increased over the financial year following changes in the asset allocation.

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:

	2018 €'m	2017 €'m
0.5% increase		
Movement in fair value of debt securities and other fixed income securities	5.5	4.7
0.5% decrease		
Movement in fair value of debt securities and other fixed income securities	(5.5)	(4.7)

For all other financial instruments held at 31 December 2018 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 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. Our reinsurance contract expired at the end of 2017 and is in run off.

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. There was a small increase in in the group's credit spread risk exposure in the financial year after the group marginally reduced counterparty credit rating requirements. There were no other significant changes 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 majority of debt securities held are investment grade and the Board has limited exposure to below investment grade securities.

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.

29. Financial risk management (continued)

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

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

2018 €m	AAA < AA-	A+ < BBB	< BBB	Not Rated	Carrying Amount
Financial assets:					
Corporate bonds	200.7	525.4	–	–	726.1
Government bonds	98.0	138.5	–	–	236.5
Collateralised securities	–	–	–	–	–
Collective investments	139.6	–	–	–	139.6
Other investments	0.1	0.1	–	5.1	5.3
Deposits in banks	11.8	30.0	–	–	41.8
Total financial investments	**450.2**	**694.0**	**–**	**5.1**	**1,149.3**
Other assets:					
Cash at hand and in bank	–	18.4	–	–	18.4
Reinsurance assets	3.2	–	–	–	3.2
Insurance receivables	–	–	–	427.3	427.3
Other debtors	–	–	–	320.9	320.9
Total financial assets	**453.4**	**712.4**	**–**	**753.3**	**1,919.1**

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	–	–	–	318.7	318.7
Total financial assets	**595.0**	**577.3**	**20.0**	**774.7**	**1,967.0**

The Board maintains strict control limits on open derivative positions, by both amount and term. The amount subject to credit risk at any one time is limited to the current fair value of derivative financial assets.

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
2018	406.2	5.7	8.7	3.1	3.6	–	427.3
2017	429.0	7.4	9.0	2.7	3.0	–	451.1

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 to meet these obligations. 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.

	2018 €'m					
	Less than 1 month	1–3 months	3 months to 1 year	1–5 years	5+ years	Total
Insurance contract liabilities	127.8	137.0	157.4	47.9	0.3	470.4
Trade and other liabilities	64.8	200.9	52.5	–	–	318.2

	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

Notes to the Financial Statements (continued)

30. 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	
	2018 €'m	**2017 €'m**	**2018 €'m**	**2017 €'m**
5% increase in deficit ratios				
Gross	(64.1)	(67.4)	(56.1)	(59.0)
Net	(44.9)	(48.3)	(39.3)	(42.2)
5% decrease in deficit ratios				
Gross	64.1	67.4	56.1	59.0
Net	53.2	52.3	46.5	45.7

The Vhi Board's method for sensitivity testing has not changed 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 to 2018 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**	**2018 €'m**	**Total €'m**
Estimate of ultimate claims						
End of accident year	1,478.7	1,461.1	1,488.0	1,492.5	1,439.5	
One year later	1,326.1	1,334.6	1,365.5	1,338.1		
Two years later	1,304.4	1,307.3	1,340.4			
Three years later	1,296.6	1,295.9				
Four years later	1,290.4					
Current estimate of ultimate claims	1,290.4	1,295.9	1,340.4	1,338.1	1,439.5	
Cumulative payments	1,278.4	1,282.1	1,319.8	1,279.7	1,083.5	
In balance sheet	12.0	13.8	20.6	58.4	356.0	460.8
Provision for prior Accident Years (2013 & Prior)						9.6
Liability in balance sheet						**470.4**

Analysis of claims development – Net of Reinsurance	**2014 €'m**	**2015 €'m**	**2016 €'m**	**2017 €'m**	**2018 €'m**	**Total €'m**
Estimate of ultimate claims:						
End of accident year	605.9	1,028.6	1,047.4	1,051.7	1,447.1	
One year later	532.7	935.1	956.9	937.6		
Two years later	522.6	915.5	938.7			
Three years later	519.2	907.3				
Four years later	516.5					
Current estimate of ultimate claims	516.5	907.3	938.7	937.6	1,447.1	
Cumulative payments	511.4	897.4	923.9	903.4	1,084.1	
In balance sheet	5.1	9.9	14.8	34.2	363.0	427.0
Provision for prior Accident Years (2013 & Prior)						9.1
Liability in balance sheet						**436.1**

Notes to the Financial Statements (continued)

31. 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 Abbey DAC (formerly Vhi RI DAC) , Vhi Health and Wellbeing DAC and Áras Sláinte Limited (ASL).

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 Abbey DAC (formerly Vhi RI DAC)	Ireland	Vhi House 20 Lower Abbey Street Dublin 1	Property Development Services	€1	100
Vhi Health and Wellbeing DAC	Ireland	Vhi House 20 Lower Abbey Street Dublin 1	Non–trading	€1	100
Áras Sláinte Limited	Ireland	Vhi House 20 Lower Abbey Street Dublin 1	Non–trading	€1	100

32. 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 31 for interests in subsidiary undertakings.

The total remuneration of the Vhi Board key management personnel for the financial year ending 31 December 2018 was €3.1m (2017: €3.3m), of which remuneration in respect of directors disclosed in Note 8 comprises €1.3m (2017: €1.2m).

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, Vhi Healthcare DAC and Vhi Health and Wellbeing DAC. There were no outstanding balances in the financial statements of the Vhi Board at 31 December 2018.
- 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.

33. Subsequent events

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

34. Legal cases

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

35. Approval of financial statements

These financial statements were approved by the Board of Directors on 16 April 2019.

Energy Management and Sustainability

In 2018 Vhi consumed 5,173,135 kWh of energy, consisting of:

3,888,325kWh of electricity

The main energy users of electricity include:

- Heating, ventilation and air conditioning **42%**
- ICT **36%**
- Lighting **18%**
- Kitchen **4%**

1,284,810kWh of fossil fuel (natural gas)

The main energy users of natural gas include:

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

Table 1: 2018 Energy and kg CO_2 Savings

Fuel	Energy Savings kWh	Kg CO_2 Saving
Electricity	143,599	46,670
Natural Gas	205,583	42,144
Total	**349,181**	**88,814**

Figure 1: Energy Savings 2018

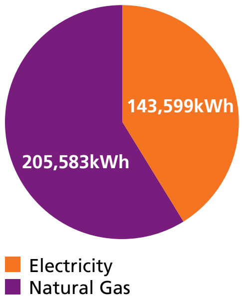
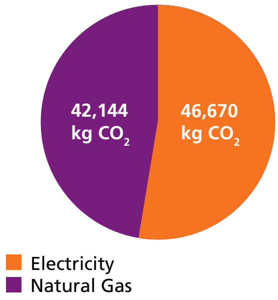


Figure 2: Environmental Impact Savings 2018



Actions Undertaken in 2018 included:

Heating, Ventilation and Air Conditioning (HVAC): Ongoing reviewing and optimisation of building energy management system control strategies for heating ventilation and air conditioning plant in the Vhi Abbey Street office development.

ICT: Improved server room energy efficiency through the upgrading of servers.

Lighting: Upgrading of lighting to LED lighting in selected office areas.

Actions undertaken in 2018 for Vhi Abbey Street and Vhi Kilkenny premises, together with existing energy conservation measures, provided estimated total annualised energy savings of 349,181kWh and reduced the environmental impact of energy use by 88,814kgCO_2.

Actions Planned for 2019 include:

- **Energy Management Training:** Provide energy management training for new Vhi energy management team members.
- **Energy Monitoring and Targeting:** Commission and optimise automatic energy monitoring and targeting system.
- **Heating, Ventilation and Air Conditioning:** Optimisation building energy management system control strategies for heating ventilation and air conditioning plant in the Vhi Kilkenny premises maximising free cooling. Provide improved automated controls for Kilkenny Training Rooms. Continue with optimisation of building energy management system control strategies for heating ventilation and air conditioning plant in Abbey St premises.

Actions planned for 2019 are estimated to provide total estimated annual energy savings of 155,000kWh and will reduce the environmental impact of energy use by 40,775kgCO_2.

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Notes