



Delivering Healthcare Solutions

Vhi Annual Report and Accounts 2019





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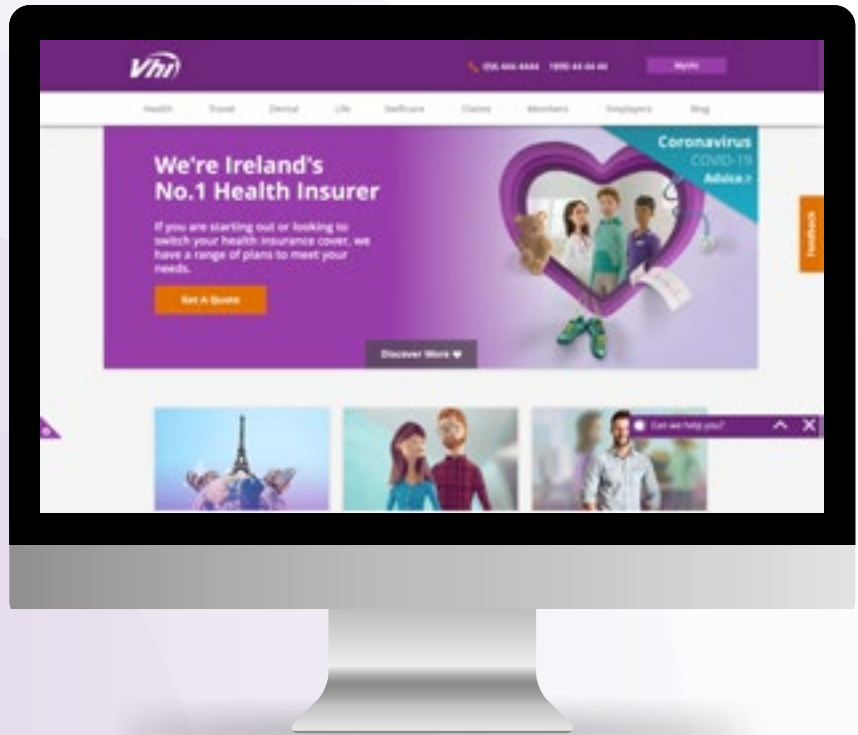
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The benefits of membership above and beyond insurance

Vhi Medical Screening Centres



More customers accessing services and support via our digital channels



Snap & Send

85%

of claims submitted through
Snap & Send on the Vhi App

Webchat

+120k

interactions

Facebook

+100k

followers

Vhi App

+200k

downloads

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.

***Retired 14th March 2020**

Joyce Brennan, Independent Non-Executive Director

Joyce Brennan is an actuary with more than 30 years' experience across the insurance and pension sectors. She is Managing Director of General Investment Trust DAC, a company within the Bank of Ireland Group, which provides professional trustee services for pension plans. She is a Non-Executive Director of a reinsurance company. Previous roles included advisor to the Health Insurance Authority, advisor to the Department of Health on private health insurance regulation, Director at Irish Pensions Trust Ltd, Director at KPMG and Principal at Mercer.

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, overseas development and health management sectors.

***Retired 21st February 2020**

Dean Holden, Independent Non-Executive Director

Dean Holden is an Independent Non- Executive Director of the Skin and Cancer Foundation, Australia, Chair of a start up organisation in aged care in the UK and a senior adviser to AMP Capital Investors Ltd. 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.

**Appointed Chairman Designate
15th March 2020*

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 Ornu. 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 and provider contract negotiations.

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 corporate strategy and leading strategic transformation programmes. His current focus is to support the strategy to deliver solutions to meet the future healthcare needs of our customers within Vhi Health & Wellbeing DAC – where he is a member of the Board. Tim has held a number of other senior management positions in Vhi, 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.

*Retired 31st October 2019

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.

The benefits of membership above and beyond insurance

Vhi SwiftCare Clinics



Continued development of
innovative, customer-focused
solutions

Vhi SwiftCare Clinics

85,000

customers attended in 2019

Vhi Hospital@Home

14,813

hospital bed days were saved
when 1,000 patients were
treated by Vhi Hospital@Home

Vhi Paediatric Clinic

539

children attended Vhi's Paediatric
Clinic for treatment and assessments

Chairman's Review

I am pleased to present the annual report and accounts for the year ended 31st December 2019, a year in which there was continued growth in membership, in conjunction with a strong response from customers to new benefits and services, reflecting a positive overall performance across all key activities.



It was a year in which significant progress was made in our strategic intent to move beyond health insurance towards a broader concept of superior health provision, redefining the competitive landscape with a unique range of Vhi-owned and managed clinical services helping our customers lead longer, stronger and healthier lives.

Overview

Building on the strong performance of recent years, our compelling health insurance offering incorporating an expanding range of innovative health and wellbeing services continued to drive membership growth in 2019.

The Vhi customer remains at the heart of everything we do and we continue to evolve and change, informed by our customers' needs. In 2019, our customers enjoyed the benefits of the "Online Advantage." This was a campaign launched in 2018 where we offered our customers increased accessibility through upgraded digital services, more user-friendly processes, such as Snap and Send, and enhanced customer responsiveness through the sustained commitment and efforts of our award-winning customer care team.

During the past year, Vhi continued to redefine our strategic direction to support a more holistic view of our customers health through the provision of a greater range of services, including our health screening facilities and our unique and innovative suite of clinical services owned and managed by Vhi, including: Vhi Paediatric Clinic, Vhi SwiftCare Clinics and Vhi Hospital@Home. The success of these services is grounded in a commitment to listen to our customers, understand their needs and ensure they are fully supported in availing of the latest advances in treatment and technology in healthcare.

The expansion of our healthcare service footprint and, in particular, the ongoing development of our owned and managed clinical services continued in 2019. Our ability to develop and deliver clinical services for our customers makes Vhi unique within the Irish healthcare sector. We continue to explore new, more effective solutions to help our customers live longer, stronger, healthier lives while enhancing our private health insurance offering.

In November 2019, we announced plans to bring a range of health and wellbeing services to our customers in the Mid-West region through the development of a new healthcare facility in Limerick which will open later this year. This will be a further evolution of our established Vhi SwiftCare Clinic service which has grown rapidly at a number of locations in Dublin and Cork over the past 15 years.

Our long-term commitment to the development of these services was further emphasised by the acquisition of a facility for development in Carrickmines, Co Dublin, with an opening date targeted for 2021.

We will continue to refine our unique value proposition for customers. Today, membership of Vhi not only provides the customer with comprehensive health insurance but also an enriched range of health and wellbeing services delivered by a growing network of clinical professional services.

The Healthcare Challenges Ahead

While Vhi is prepared to face the challenges confronting healthcare provision in the years ahead, those challenges cannot be underestimated. People are now living longer with more complex medical conditions and chronic diseases, and inevitably this will create increased demand for existing and new healthcare services and solutions.

Already, at Vhi we are exploring the most effective responses to chronic disease and its management. In December 2019, Minister Simon Harris launched our pilot Diabetes Structured Care Programme which marks an important step towards the delivery of structured diabetes care for health insurance patients in partnership with general practice. This partnership aligns with the Sláintecare vision of community-based care and with national policy on chronic disease management and the extension of community-based care models.

In conjunction with the need for effective healthcare responses to serve an increasingly older and ageing population, medical inflation is also a major concern as the costs of medical treatment continue to increase rapidly, outpacing general inflation.

At Vhi, we are actively seeking to manage medical inflation through the implementation of rigorous cost containment measures right across the business. At the same time we are committed to providing our customers with access to the latest available medical advancements, including new drugs, new technologies or new procedures.

However, a fair and equitable framework for regulating the community rated health insurance market is essential to foster effective competition that will help to mitigate medical inflation and rising costs. An efficient Risk Equalisation scheme to support Community Rating is essential in shaping a health insurance environment where the focus of competition among providers is not about cherry-picking better risk but on the provision of better healthcare for all.

An Effective Response

Community Rating is the cornerstone of the private health insurance market in Ireland. It enshrines a fundamental principle of intergenerational solidarity that enables older and sicker customers to access health cover at affordable prices. In practice, this principle is realised through an effective risk sharing scheme that is intended to promote fair competition.

An efficient risk equalisation system in Ireland with a greater focus on supporting those who are sick is essential to encourage competition that will help deliver on health outcomes, innovation and investment in chronic disease management and integrated services. In the context of prioritising and facilitating significant investment in chronic disease management services, the delivery of a risk equalisation system that recognises health status as a determinant of risk is critical. The renewal of the Irish Risk Equalisation Scheme in 2021 presents a good opportunity to make these changes and Vhi will be presenting potential solutions to policy makers in Ireland and in Brussels to ensure that the scheme continues to evolve to support the needs of all those who have private health insurance, in particular the old and sick.

The current Risk Equalisation scheme in Ireland has been operating since 2016. In the intervening period, there have been limited improvements in credits for customers suffering from chronic ill health. This is in stark contrast to Risk Equalisation schemes in other European countries and internationally.

Chairman's Review Continued

Fairness and Equality of Access

We acknowledge the cross-party political support for Sláintecare and the ten-year programme's commitment to address the separation of public and private practice based primarily on considerations of fairness and equality of access. While cognisant of the enormous challenges to be faced on the journey toward the ultimate objectives envisaged by Sláintecare, Vhi is committed to lead where we can in the achievement of better health outcomes for all.

There are still many issues with Sláintecare that require clarity in terms of timing, costs, capacity assumptions and patient outcomes. We need to make sure that the best interests of the two million customers who have private health insurance continue to be served and that the necessary enabling investments are made in critical areas, including primary care facilities, consultant contracts and increased acute hospital services, prior to the removal of private practice from public hospitals.

Vhi has a track record of adaptation and innovation; we are confident that we can continue to respond effectively and imaginatively to any changed healthcare landscape in ways that will enhance and advance the provision of leading-edge healthcare provision in Ireland.

Corporate Social Responsibility

We take our corporate social responsibility (CSR) commitments very seriously. In 2019, we engaged Business in the Community (BITC) – a movement for sustainable change in business – to work with us in the development of a sustainability programme for Vhi. Together, we undertook a baseline audit, developing an understanding of Vhi's approach to CSR and identifying a number of priority areas for the organisation. We have established a CSR Steering Committee chaired by a Board Director and will report to the Board annually on progress around five key pillars namely stakeholder engagement, community, marketplace, workplace and environment.

Diversity and Inclusion

Vhi is committed to the highest standards of corporate governance, transparency and accountability, and the Board recognises that diversity is key to its ability to function effectively.

In 2019, our Diversity and Inclusion Programme continued to focus on the three priority areas identified from our 2018 employee survey: increasing awareness and understanding of diversity and inclusion; the promotion of flexible working practices; and development of our people and the talent pipeline. During the year, unconscious bias training was provided to General Managers, the Executive Management Team and the Board, important milestones such as International Women's Day, Pride and Mental Health Awareness Week were celebrated and two employee networks were established, i.e., a Vhi Women's Network and a Multicultural Network. Currently, a medium-term diversity and inclusion strategy is being developed and will be implemented in 2020.

Board and Governance

As an organisation, we continue to pursue a prudent and responsible course on behalf of our customers, while mindful that strategic challenges exist for Vhi including medical inflation, market affordability challenges and regulatory issues.

Nonetheless, the business continues to perform well in attaining the strategic objectives set out in its five-year strategy to address the wants and needs of our customers. During 2019, the Board reiterated its support for the business strategy and believes that the strategic direction outlined will best position Vhi to help our customers live longer, stronger, healthier lives.

Our customers have confirmed that they continue to want speedy access to superior health and wellbeing services, supported by excellent customer experience, enabled through affordable health insurance products which are developed to meet our customers' varying lifestyles. We continue to invest in the development and implementation of our urgent care services and our unique integrative health and wellbeing proposition. We also continue to sharpen our customer-centric focus, satisfying our customers' desire for more personalised, value-driven and real-time experiences, while giving them more power and choice than ever before. We have also strengthened our customer proposition and enhanced our sales, marketing and customer service functions.

At the time of writing in March 2020, Ireland along with the rest of the world is tackling the worldwide pandemic COVID-19. Vhi is actively assessing and managing the risks associated with the COVID-19 pandemic, and taking a number of actions focused on assuring business continuity for our customers, staff, healthcare partners and other key stakeholders. Vhi is taking steps to sustain its service to our customers and to protect its business, in a prudent manner.

Acknowledgements

I want to take this opportunity to express my gratitude to my colleagues on the Board for their unfailing commitment and support throughout the year. During the year, John O'Dwyer, Declan Moran, Joyce Brennan and Paul O'Faherty were re-appointed.

In addition, I also want to thank the management team and the entire staff at Vhi for their inspiring dedication and hard work. It is their unstinting efforts which ensure that Vhi continues to lead the way in the provision of affordable health insurance products and ever-increasing access to superior health and wellbeing services.

Finally, and most importantly, I would like to thank our customers for choosing Vhi as their insurance and healthcare provider. At Vhi, we feel privileged to have earned the trust and confidence of our customers through successive generations for over 60 years. We are determined to continue to build on this unique and valued heritage by providing optimal solutions in insurance and healthcare access for our customers into the future.



Liam Downey
Chairman

Clinical services owned and managed by Vhi

Vhi SwiftCare Clinics

Providing rapid access clinical services since 2005

Vhi Hospital@Home

Providing medical and nursing care since 2010

Vhi Paediatric Clinic

Providing consultant-led services since 2018

Vhi Medical Centres

Providing accredited screening and health checks since 2012

The benefits of membership above and beyond insurance

Vhi Paediatric Clinic



Strong membership growth
in all areas of our business

Private Health Insurance Customers

1,128,000

Other Insurance Services

443,000



Vhi Dental

+11%



Vhi Life

+56%



Vhi International

+4%



Vhi Travel

+2%

I am pleased to report that 2019 saw Vhi continue to strengthen its leadership position in the marketplace and for the fifth year in a row grew membership.



Vhi offers a unique customer proposition including unrivalled health insurance cover together with access to a range of high-quality, Vhi-owned and managed health and wellbeing services. Our strongly capitalised business continues to perform well.

Our consolidated business operations, including private medical insurance, other insurance services and proprietary healthcare services, reported a net surplus of €45.1 million. Vhi had free reserves of €701.2 million compared to the previous year's €676 million.

As a result of our continued focus on delivering what our customers need, our private medical insurance membership grew by 22,000, to reach 1,128,000 customers. The range of innovative Vhi health and wellbeing offerings clearly resonates with all age groups.

Strong growth in membership has also been achieved in our other insurance services with more people selecting Vhi as their partner of choice for dental protection, travel cover and life insurance needs. The strength of our brand and our track record of delivery is a real asset and offers assurance to our customers.

2019 saw a material increase in the cost of delivering healthcare. The value of claims paid during the year amounted to €1.387 billion, an increase of 4.4% on 2018. Key factors driving the rise in costs are an aging population, the ongoing adoption and availability of more high-cost complex surgical procedures, the provision of high-cost drugs for our customers, the increasing volume of medical claims in private hospitals and overall inflation in medical costs. The pronounced increase in private hospital costs was mitigated to a limited extent by a reduction in public hospital costs.

Primary care claims experienced significant growth on the back of enhanced primary care benefits and increased uptake of our digital outpatient Snap and Send facility which made it easier for customers to submit their claims through the Vhi app. In all, 85% of outpatient claims were submitted in this way in 2019 compared to 76% in 2018. The volume of claims processed for primary care in 2019 was 625,157 compared to 407,645 in 2018 representing an increase of 53%.

Key Financial Results

- After tax results to 31 December 2019 showed a net surplus of €45.1 million for Vhi's consolidated business activities.
- Income from insurance products and services other than private health insurance amounted to €34.5 million during the year, up from €31.2 million in 2018.
- Gross earned premium for 2019 came to €1.413 billion compared with €1.414 billion in 2018.
- Private health membership grew in 2019 to 1,128,000, up from 1,106,000 in 2018.
- At the end of December 2019, Vhi had free reserves of €701.2 million compared to the previous year's €676 million.
- Our investment income in 2019 was €13.2 million, due to a recovery in markets and a reduction in bond yields.
- Total claims paid in 2019 amounted to €1.387 billion, an increase of 4.4% on 2018.

Enhancing the customer experience

Our customer is always our number one priority and Vhi exists solely to meet their healthcare needs.

Our award-winning customer care teams answered more than one million customer queries in 2019. Access to MyVhi Increased by 63,500 registrants and web chat traffic continued to grow significantly with our web chat team handling over 120,000 queries during the year, a 16% increase year-on-year. Throughout 2019, we saw a significant increase in customers choosing to interact with us through online channels, as a result of substantial investment in the "online advantage" programme in 2018 which encouraged people to interact with us online and improved the digital experience in terms of accessibility and ease of use. We also experimented with new technology, becoming the first Irish health insurer to introduce an Alexa Sleep Skill, and we updated our parkrun rewards for our customers on the Vhi App. In addition, we grew our Facebook following beyond 100,000 and app downloads beyond 200,000.

In the corporate market, we continued our award-winning Health Insights research programme with reports on sleep and happiness. The programme built on the work of previous reports on mental health and mindfulness, and added to a gathering body of knowledge for our customers. We also introduced some new Wellness Ambassadors to our corporate customers.

A key focus for the year was increasing digital engagement and digital sales. As part of our highly targeted promotion campaigns, we introduced new digital advertising formats that enabled us to increase traffic to our website.

Responding to customers needs

We continued to respond to the demand for new and existing healthcare services through innovative, customer-focused solutions that address gaps in healthcare provision, generate greater efficiencies and, most importantly, provide an enhanced experience for the patient.

In 2019, 85,000 of our customers attended Vhi SwiftCare Clinics in Dundrum, Swords and Cork, an increase of 10,000 patients on 2018. Almost 1,000 of our customers were cared for by our Vhi Hospital@Home services which was in line with 2018. These services have generated a particularly strong response, achieving unprecedentedly high customer satisfaction scores. Our health screening services saw more than 22,000 members in 2019. This was an increase of almost 7% on 2018.

Vhi Employee Assistance Programme (EAP) services received close to 26,000 calls (an increase of approximately 7,000 calls over 2018) and our Occupational Health service had over 10,000 consultations and assessments.

Our strategic marketing focus on competitive differentiation saw us showcase our unique, owned and managed clinical services – including the Vhi Paediatric Clinic, Vhi SwiftCare and Vhi Hospital@Home with a new campaign on the theme of "Beyond Insurance." The campaign highlights the benefits of membership beyond the peace of mind of having health insurance cover in place.

Delivering value for our customers

Keeping private health insurance affordable while delivering better health outcomes to our customers is at the heart of our procurement strategy and our contracts with healthcare providers reflect this. Vhi continues to offer customers the security of multi-annual cover contracts with all private hospitals and treatment centres in Ireland.

Vhi remains the only private health insurer to have secured a Memorandum of Understanding with the Health Service Executive (HSE) and voluntary hospitals in relation to how we manage our claims.

Operations Review Continued

Our Special Investigations Unit (SIU) continues to be the industry leader in relation to healthcare cost management on behalf of our customers. In 2019, the savings made by the SIU amounted to €19 million.

Innovative Treatments, Medicines and Technology

As Ireland's leading health insurance provider, Vhi aims to deliver world-class, proven healthcare solutions at the leading edge of global medicine – facilitating access to medical, technological and drug innovations that deliver a better patient experience, less invasive surgery and superior medical outcomes in the most appropriate settings.

Early in 2019, Vhi became the first insurer to cover the highly-specialist, new paediatric, foetal and neo-natal MRI services being offered for private patients in the National Maternity Hospital in Holles Street.

Our customers can also avail of the newest, proven drug treatments available. In 2019, we approved several new drugs and new indications including:

- Ocrevus (Ocrelizumab) for the treatment of adult patients with relapsing forms of multiple sclerosis, which costs circa €30,000 for the drug per patient per year.
- Tecentriq (Atezolizumab), a cancer treatment that helps the immune system to attack cancer cells.

During 2019, Vhi consolidated its position as a leader in cancer care with an expansion of cover to include a significant number of additional licensed indications for oncology drugs administered in a hospital setting as part of a planned chemotherapy regime.

In July 2019, the new private outpatient radiotherapy service operated as a joint venture between the UPMC Group and the Bon Secours Health System opened in the grounds of the Bon Secours Hospital Cork. The first private radiotherapy service available to our customers in Cork, it allows for a full multi-disciplinary approach to oncology care in one of the main private oncology providers in the country.

We have partnered with two major cardiac providers on an innovative heart efficiency clinic which will ensure that any customers who suffer from heart failure have access to specialist consultant care. This pilot initiative should greatly reduce the likelihood of patients with a diagnosis of heart failure having to wait in A & E or undergo multiple inpatient hospital admissions to manage their condition and is expected to improve longer-term outcomes.

These innovations and enhanced services are examples of the wide range of meaningful advances achieved on behalf of our customers in 2019, but inevitably such advances incur a cost. Where we have approved new or enhanced services, we have been careful to do so at rates that are competitive.

Other Insurance Services – Travel, International, Dental and Life

These businesses continue to perform well and experienced sustained membership growth across all product lines. A combination of tailored customer offerings alongside market-leading benefits and a keen focus on all aspects of service delivery, has ensured that our total number of customers in business other than health insurance at the end of 2019 reached 443,000, up from 422,000 in the previous year.

Other Insurance Services that Vhi provides to customers include:



Vhi Dental

This cover continued its strong performance in 2019 with greater customer awareness and exceptional corporate demand, contributing to growth of 8%.



Vhi International

This product's reputation for facilitating access to world-class care, combined with its assurance of no break in benefits upon return to Ireland, continued to resonate strongly with customers, recording growth of 2%.



Vhi Life

This product's popularity, across both our Term Life and Mortgage Protection membership, increased significantly in 2019.



Vhi Travel

The continued strength of the Irish economy, reflected in the number of people travelling abroad led to another year of growth (4%) for our multitravel product.

Sponsorship

Through our sponsorship of Vhi Women's Mini Marathon and parkrun Ireland, we are committed to bringing people and communities together by encouraging and supporting activity that improves both mental and physical health. In June 2019, we extended our partnership with the Women's Mini Marathon for a further two years. We continued to link these activities with our customers allowing them the opportunity to claim back their Vhi Women's Mini Marathon entry fee as a customer reward. In addition, we provided every participant who crossed the finish line with a Vhi Women's Mini Marathon finisher t-shirt for the first time as a memento of their achievement.

parkrun in partnership with Vhi, continues to grow with free, timed 5km adult events and 2km junior events taking place every weekend in 117 locations nationwide. Vhi continues to engage with communities and our customers at these events through the Vhi roadshow which has contributed to a surge in participation numbers and locations.

Vhi also unveiled a major study into the health and wellbeing benefits of participating in parkrun which found that it is making a real difference to the health of the nation from both a physical and mental health perspective. We finished the year on a high note when, in December, our partnership with parkrun was recognised at the Irish Sponsorship Awards as Best Grassroots Sponsorship.

Conclusion

In 2019, we continued to champion innovation in the marketplace, demonstrating a dedication to market-leading excellence across all our activities, while fostering our core principle of putting our customers first in everything we do.

Vhi is committed to the continued delivery of enhanced access to the highest quality healthcare at an affordable cost and the advancement of a wider vision of health that will help our customers to lead, longer, stronger and healthier lives.



John O'Dwyer
Chief Executive

Key Financial Results

€1.41bn

Gross Earned Premium

€1.387bn

Gross Claims Paid

€45.1m

Net Surplus

€701.2m

Reserves

The benefits of membership above and beyond insurance

Vhi Hospital@Home





Significant growth in numbers
of members using our expanding
range of healthcare services

**Vhi Employee Assistance
Programme**

26,000

calls received

**Vhi Health Screening
Services**

22,000

screenings and assessments
conducted in our centres

**Occupational Health
Service**

10,000

consultations and assessments

Directors' Report for the Financial Year ended 31 December 2019

The Directors present their 63rd 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, including Vhi SwiftCare urgent care clinics, Vhi Hospital@Home, Vhi Medical Screening and other health and wellbeing services through its Vhi Health and Wellbeing subsidiary companies.

Business Review and Results

The consolidated results for the year ending 31 December 2019 are set out in the Income and Expenditure account shown on page 32. The consolidated Vhi Board surplus after tax for the year is €45.1m (2018: €82.4m).

During 2019, Vhi continued to invest in healthcare benefits and services for its customers. This is achieved through product innovation, benefit development and enhancing customer insurance, healthcare and engagement platforms. During 2019, Vhi invested in new medical benefits and additional dedicated services including developing a range of healthcare and wellbeing services to customers in Ireland's Western seaboard including Hospital@Home and a range of screening services. Vhi also further expanded its digital capability providing a variety of new platforms and services which makes it easier for customers to access and avail of Vhi's services.

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 nature and level of activity will be sustained for the future and will continue to invest in healthcare and customer 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. Vhi's values are Customer Driven, Integrity, Empowerment, Innovation and Courage.

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 2019.

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 2019 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 2019 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.

There were no changes to the board of directors during 2019. Post 31 December 2019, the Chairman, Liam Downey, has retired with an effective date of 14 March 2020. Paul O'Faherty has been recommended as Chairman to the Central Bank of Ireland and has been approved. Paul O'Faherty was approved by the Minister of Health as Chairman Designate with an effective date of 15 March 2020. Celine Fitzgerald has retired with an effective date of 21 February 2020 and is not seeking reappointment. The term of Brian Walsh and Finbar Lennon has expired and their re-appointment has been approved by the Minister, commencing 15 March, 2020. The Board expects to appoint four directors during 2020.

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
Liam Downey	8**	8			3	3				
John O'Dwyer	8	8					7	7	4	4
Brian Walsh	8	8							4	4
Celine Fitzgerald	7	8			3*	3				
Dean Holden	8	8	4	4			7	7		
Declan Moran	8	8					7	7		
Finbar Lennon	8	8	4	4						
Greg Sparks	8	8	4*	4					3	4
Joyce Brennan	7	8			3	3	7	7		
Paul O'Faherty	8	8	4	4			7*	7	4*	4

*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

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.

Directors' Report for the Financial Year ended 31 December 2019 continued

Nomination and Remuneration Committee

Board appointed Nomination and Remuneration Committees are also in place. The Chairman and two non-Executive Directors sit on each of the Committees. In addition, an Executive Director (the CEO) also sits on the Nomination Committee. On behalf of the Board, the Nomination Committee is responsible for monitoring and making recommendations on the composition of the boards of group entities, making proposals for succession planning for its membership and for identifying and recommending executive and non-executive candidates for appointment to Board positions. The Remuneration Committee is, on behalf of the Board, responsible for ensuring that the Company's overall performance management and reward philosophy, the organisation's design and structure and succession planning are consistent and aligned with the Company's strategic objectives.

Risk Management and Compliance Committee

The Risk Management and Compliance Committees comprise non-Executive and Executive Directors. Its purpose, on behalf of the Board, is to ensure an effective risk management and compliance framework is in place. In particular, its role is to oversee, review and monitor 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. On behalf of the Board, its principal purpose is overseeing, reviewing and monitoring the insurance investment mandate and portfolio.

Internal Control

The Board has given effect to Internal Control recommendations issued by the Central Bank of Ireland: Guidance for Directors on the Corporate Governance Requirements for Insurance Undertakings 2015, 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. The Executive Directors do not receive a Board fee under the One Person One Salary (OPOS) principle.

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, satisfactory operating results and capital position during 2019 further contributed to this assessment.

Principal risks and uncertainties

The principal risks and uncertainties of Vhi Board have been determined by assessing potential risks to capital, strategy, operations and people, conduct and culture 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 health risk 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 health risk policy members at a competitive disadvantage with attendant risk to capital, value and sustainability.

b. Risks from ageing population

An ageing population leads to increased demand for medical treatment and associated higher staffing and other input costs. This may lead to increased private medical insurance policyholder costs with resulting impacts on voluntary private health insurance affordability and limits on the growth of the associated market.

c. Risks from medical inflation

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.

d. 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.

e. Investment market 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.

f. Insurance risk

Vhi is exposed to the risk that its premium pricing or claims reserves may not align to levels determined in 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 facilitating early identification of claims events.

g. Cyber and data protection risk

Data protection is important to Vhi. Vhi recognises that there have been several high profile cyber security incidents in Ireland and elsewhere, and these are likely to continue in the future as cyber criminals become ever more sophisticated. Vhi invests in IT security to protect our data, and detect and prevent cyber-attacks and undertakes regular activities with personnel to promote awareness of cyber and data security.

h. COVID-19

Coronavirus disease 2019 (COVID-19) is an infectious disease first identified in December 2019 in Wuhan, China. The outbreak was recognised as a pandemic by the World Health Organisation on 11 March, 2020. Vhi is actively assessing and managing the risks associated with the COVID-19 pandemic, adhering to the guidance issued by the Health Service Executive (HSE) and the Department of Foreign Affairs and Trade. The Board of Directors and staff of Vhi have taken a number of actions focused on assuring business continuity for our customers, staff, healthcare partners and other key stakeholders. Vhi continues to identify, assess and plan for a wide range of potential financial and operational outcomes as matters develop. Arising from these analyses, Vhi is taking steps to sustain its service to our customers and to protect its business, in a prudent manner.

On 24 March, 2020 the Irish Government announced approval of a framework agreement with the private hospitals whereby acute private hospitals will operate effectively as public hospitals under Section 38 of the Health Act for a limited period. It was also confirmed that people with the COVID-19 virus will be treated for free, as part of a single, public health service. Vhi is working closely with the Department of Health,

Directors' Report for the Financial Year ended 31 December 2019 continued

the HSE, the private hospital operators and medical consultants to support the Government in this time of national crisis. Vhi is assessing the impact of these developments and will take the necessary actions to assure fair outcomes for its customers and prudent sustainable business operation.

i. Other risks

Vhi is also subject to a range of other risks, including operational risk (the risk of human, systems or process failure), strategic risk (the risk that the incorrect strategy may be adopted by the Board or its execution is unsuccessful) and clinical risk (the risk that the delivery of care to patients and other healthcare customers causes harm). 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 programmes are informed by national public sector obligations with regard to energy management and energy efficiency. The National Energy Efficiency Action Plan (NEEAP) set a target in 2009 for the public sector to improve its energy efficiency to 33% by 2020 and to play an exemplary role in terms of energy efficiency and reducing carbon emissions.

In addition, there is a requirement 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 2018 final energy consumption data, it was reported that Vhi have improved energy efficiency by 43% since 2009 and reduced Vhi's overall Carbon Footprint by 30% (760,961kg CO₂). This was achieved in spite of an increase in the total office floor area, following the development of the Abbey Street office in Dublin and our regional office in Kilkenny.

Energy saving actions undertaken in 2019, together with existing energy conservation measures, provided estimated total annualised energy savings of 195,330 kWh and reduced the environmental impact of energy use by 104,400kg CO₂.

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. We estimate that over 1,200 trees were saved from deforestation by recycling confidential papers with over 170m³ recycled in 2019.

Vhi are committed to reducing waste and this was highlighted during 2018 through the "Online Advantage" offer encouraging members to transact with Vhi online. In addition, the Vhi app and MyVhi has enhanced the ease of engagement and self-service by Vhi's customers, also reducing the volume of paper and travel based communications and transactions.

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 also launched an initiative and successfully removed all single use plastic cups, straws and cutlery from all offices in 2019. This resulted in the removal of over 450,000 individual plastic items going to landfill and the energy used to manufacture these products.

Our facilities utilise modern environmental engineering solutions to reduce our impact on the overall environment with the use of rainwater harvesting systems 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 the volume of paper being printed. Vhi invested in audio visual meeting room technology to reduce the requirement for travel and paper information at meetings.

Employee matters and respect for human rights

Vhi has a comprehensive People Strategy 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 Customer Driven, Integrity, Empowerment, Innovation and Courage are deeply embedded within the Vhi culture and all people management practices. During 2019, 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 2019, Vhi's employee turnover rate was 8% with the average tenure being 12 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 Engagement Survey provides a source of qualitative and quantitative feedback on employees' views on the organisation. The Employee Engagement Survey was completed by 80% of employees and is repeated every 2 years with the last survey having been completed in June 2019.

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

Diversity and inclusion

Vhi is committed to fostering an inclusive culture where diversity in all its forms is embraced. We believe that a commitment to diversity and inclusion at Vhi is a key enabler in the fulfilment of our stated mission to fundamentally change how healthcare is delivered for our customers.

Diversity and inclusion are strongly inherent in our core values. At Vhi, diversity and inclusion means a work environment where each person feels welcome and is treated equally and fairly and where their views and opinions are heard, respected and valued.

The Board is committed to the highest standards of corporate governance, transparency and accountability. It recognises that diversity is key to its ability to function effectively. Diversity of skill sets, experiences, qualifications, gender and background help to maximise and balance the decision making process and reduce behaviour and culture risks. Vhi has had a Board Diversity Policy in place since 2015. This is supported by a skills matrix to ensure an appropriate mix of diversity on the Board is achieved. The Nomination Committee, on behalf of the Board, is responsible for reviewing Board composition no less than every three years and also recommends the appointment of new directors to the Board as appropriate. In 2019, the Board re-affirmed its commitment to achieving an appropriate blend and balance of diversity on the Board. The revised policy includes a commitment to achieve and maintain at least 30% female representation on the Board.

In 2019, we reviewed and strengthened our organisational Diversity & Inclusion policy. This revised policy was reviewed and adopted by our Board in May 2019. It sets out our approach to Diversity & Inclusion, our standards and what our employees can expect from us in relation to:

- Respect and dignity at work;
- Equal treatment and protection from discrimination;
- An inclusive work environment;
- Flexible working arrangements;
- Continuous development;
- Personal support.

In 2019, our Diversity & Inclusion programme continued to focus on the three priority areas identified from our 2018 Diversity & Inclusion employee survey, namely, increasing awareness and understanding of Diversity & Inclusion, flexible working practices and developing our people. Activities under each of the pillars include:

- Awareness and understanding of Diversity & Inclusion
 - Awareness and training sessions, including unconscious bias training, were provided to HR, senior managers and the Board.
 - We marked International Women's Day, and for the first time, Pride and Mental Health Awareness Week.
- Flexible working practices
 - We set out more clearly what employees can expect in terms of accessing flexible and dynamic working arrangements.
- Developing our people and the talent pipeline
 - The number of female participants on our Employee Development Programme increased to 80% in 2019.
 - Eight employees took part in the IMI/30% Club's Cross-Company Mentoring Programme (six females and two male).

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

- A Diversity and Inclusion Steering Committee has been in place since 2018 which is chaired by a board member.
- A Diversity and Inclusion ("D&I") Policy was published in 2017 and revised in 2019; 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.
- 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.

Directors' Report for the Financial Year ended 31 December 2019 continued

- 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.
- We have strong policies and procedures in place specifically in relation to respect at work. They include both informal and formal methods of resolution. In addition we have a trained Respect at Work support team to provide advice and support to all employees.
- We have over 30 mental health champions trained to support and advise employees with medical health issues.
- In addition, Vhi recognises that our customers are diverse and this is reflected in the range of products and benefits Vhi supports.

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. 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 2019, are listed in note 33.

Subsequent events

Note 35 details the subsequent events post 31 December 2019.

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



Paul O'Faherty
Chairman Designate
2 April 2020



Greg Sparks
Director
2 April 2020

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 2019 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 37, 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 37, 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.

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
6 April 2020

Consolidated Income and Expenditure account for the financial year ended 31 December 2019

	Notes	2019 €'m	2018 €'m
Technical Account			
Earned Premium, net of Reinsurance			
Gross written premiums	2	1,445.7	1,400.8
Change in gross provision for unearned premiums and unexpired risks	2,21	(32.5)	12.9
Earned Premium, net of reinsurance		1,413.2	1,413.7
Allocated investment return transferred from the non-technical account		13.2	(4.6)
Other technical income, net of reinsurance	4,5	117.1	155.1
Total Technical Income		1,543.5	1,564.2
Claims incurred, net of reinsurance			
Claims paid – gross amount	2	(1,386.5)	(1,328.0)
Claims paid – reinsurer's share		3.8	69.2
Change in the provision for claims – gross amount	2,21	28.5	67.9
Change in the provision for claims – reinsurer's share	21	(16.9)	(123.1)
		(1,371.1)	(1,314.0)
Net operating expenses	2,7	(126.6)	(165.2)
Balance on the technical account		45.8	85.0
Non-Technical Account			
Balance on the technical account		45.8	85.0
Net investment return	9	13.2	(4.6)
Allocated investment return transferred to the insurance technical account		(13.2)	4.6
		45.8	85.0
Other income	10	34.5	31.2
Other expenses	11	(29.3)	(23.8)
Surplus on ordinary activities before tax	25	51.0	92.4
Tax on surplus on ordinary activities	12	(5.9)	(10.0)
Surplus on ordinary activities after tax	13	45.1	82.4

The notes on pages 39 to 65 form an integral part of these financial statements. The financial statements were approved by the Board of Directors and authorised for issue on 2 April 2020.

Consolidated Balance Sheet as at 31 December 2019

	Notes	2019 €'m	2018 €'m
ASSETS			
Investments			
Land held under finance lease	14	1.0	-
Land and buildings	15	72.1	42.5
Other financial investments	16	1,022.3	1,149.3
		1,095.4	1,191.8
Reinsurer's share of technical provisions			
Claims outstanding	21	17.4	34.3
		17.4	34.3
Debtors			
Debtors arising out of insurance operations		456.1	430.5
Other debtors	17	351.2	320.9
		807.3	751.4
Other assets			
Intangible assets	19	4.5	5.1
Tangible fixed assets	20	23.2	22.0
Cash at bank and in hand	26	98.2	18.4
Deferred tax asset	18	2.2	2.6
		128.1	48.1
Prepayments and accrued income			
Deferred acquisition costs	23	5.0	5.0
Other prepayments and accrued income		7.3	5.4
		12.3	10.4
Total Assets		2,060.5	2,036.0

Consolidated Balance Sheet as at 31 December 2019 continued

	Notes	2019 €'m	2018 €'m
EQUITY AND LIABILITIES			
Capital and reserves			
General reserve		676.0	610.9
Comprehensive income		25.2	65.1
Shareholder's funds		701.2	676.0
Technical provisions			
Provision for unearned premium and unexpired risks	6,21	533.9	501.4
Claims outstanding	21,31,32	441.9	470.4
		975.8	971.8
Funds withheld for Reinsurer	22,32	17.4	34.3
Creditors			
Creditors arising out of direct insurance operations		40.2	40.6
Other creditors and accruals	24	270.3	277.4
	31	310.5	318.0
Retirement benefit liability	29	55.6	35.9
Total Liabilities and Shareholder's Equity		2,060.5	2,036.0

The notes on pages 39 to 65 form an integral part of these financial statements. The financial statements were approved by the Board of Directors and authorised for issue on 2 April 2020. They were signed on its behalf by:



Paul O'Faherty
Chairman Designate
2 April 2020



Greg Sparks
Director
2 April 2020

Board Balance Sheet as at 31 December 2019

	Notes	2019 €'m	2018 €'m
ASSETS			
Other financial investments			
Investment in subsidiaries	16	479.7	479.7
		479.7	479.7
Debtors: Amounts falling due in 1 year		0.2	1.8
Total Assets		479.9	481.5
EQUITY AND LIABILITIES			
Capital and reserves			
General reserve		428.9	435.0
Comprehensive income		(4.6)	(6.1)
Shareholder's funds		424.3	428.9
Other creditors and accruals		-	16.7
Retirement benefit liability	29	55.6	35.9
Total Liabilities and Shareholder's Equity		479.9	481.5

The notes on pages 39 to 65 form an integral part of these financial statements. The financial statements were approved by the Board of Directors and authorised for issue on 2 April 2020. They were signed on its behalf by:



Paul O'Faherty
Chairman Designate
2 April 2020



Greg Sparks
Director
2 April 2020

Consolidated Statement of Cash Flows as at 31 December 2019

	Notes	2019 €'m	2018 €'m
Net cash from operating activities	25	(22.1)	5.8
Cash flows from investing activities:			
Proceeds from sale of equipment		-	-
Proceeds from sale of property		-	-
Purchase of property		(29.0)	(3.5)
Purchase of equipment		(7.4)	(19.5)
Investment and dividend income received		17.3	17.3
Net sale/(purchase) of portfolio investments		121.0	(27.8)
Net cash flows from investing activities		101.9	(33.5)
Cash flows from financing activities:			
Loans (repaid)		-	-
Interest (paid)		-	-
Net cash flows from financing activities		-	-
Net (decrease)/increase in cash at bank and in hand		79.8	(27.7)
Cash at bank and in hand at beginning of financial year		18.4	46.1
Cash at bank and in hand at end of financial year		98.2	18.4

Board Statement of Cash Flows as at 31 December 2019

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 2019

	Total €'m
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
Surplus for the financial year	45.1
Actuarial deficit on pension fund	(19.9)
At 31 December 2019	701.2

Consolidated Statement of Comprehensive Income for the financial year ended 31 December 2019

	2019 €'m	2018 €'m
Surplus for the financial year	45.1	82.4
Actuarial deficit	(19.9)	(17.3)
Total	25.2	65.1

Board Statement of Changes in Equity as at 31 December 2019

	Total €'m
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
Surplus for the financial year	15.3
Actuarial deficit on pension fund	(19.9)
At 31 December 2019	424.3

Board Statement of Comprehensive Income for the financial year ended 31 December 2019

	2019 €'m	2018 €'m
Surplus for the financial year	15.3	11.2
Actuarial deficit	(19.9)	(17.3)
Total	(4.6)	(6.1)

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 67. The nature of operations and the Vhi Board's operating and financial review are detailed in the Directors' report on page 22.

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 gain or loss is included 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

Health Insurance Levy consists of the amounts payable to the Revenue Commissioners in respect of stamp duty on private medical insurance 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 amount 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. 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.

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.

Notes to the financial statements continued

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 of the net assets 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.

Leases

Assets held under finance leases, hire purchase contracts and other similar arrangements, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets at the fair value of the leased asset (or, if lower, the present value of the minimum lease payments as determined at the inception of the lease) and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant periodic rate of interest on the remaining balance of the liability.

Financial Assets and Liabilities

The Board's investments comprise debt securities, and equity investments, shares in collective investment undertakings, 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, excluding derivatives, are initially measured at cost.

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

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.

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

Investment in Subsidiaries

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

Impairment

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

Investment Income

Investment income consists of dividends, interest, rent, realised gain and losses, and unrealised gains and losses on fair value assets. Investment income is presented net of related investment expenses. Rent and investment expenses are recognised when incurred. Interest income is recognised using the effective interest method. Income from equities is included on the basis of dividends received during the financial year. Realised and unrealised gains and losses are presented in the non-technical income and expenditure account in the financial year in which they arise.

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.

Notes to the financial statements continued

The Vhi Board also operates a defined contribution pension scheme for qualifying employees. The assets of the plan 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 in their profit and loss account equal to their contribution payable as an employer of members of the scheme.

Other Income

Other income includes 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 insurance 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. 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 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:

	2019 €'m	2018 €'m
Gross written premium	1,445.7	1,400.8
Change in provision for unearned premium and unexpired risks (note 21)	(32.5)	12.9
Gross earned premium	1,413.2	1,413.7
Other technical income gross (note 5)	106.6	103.2
Claims paid – gross amount	(1,386.5)	(1,328.0)
Change in the provision for claims – gross amount (note 21)	28.5	67.9
Gross claims incurred	(1,358.0)	(1,260.1)
Operating expenses	(126.6)	(165.2)
Reinsurance surplus	(2.6)	(2.0)

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

	2019 €'m	2018 €'m
Risk Equalisation Scheme – gross (note 5)	106.6	103.2
Reinsurance commissions*	10.5	51.9
	117.1	155.1

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

5. Risk equalisation scheme

	2019 €'m	2018 €'m
Risk Equalisation Credits	502.8	497.0
Health Insurance Levy	(396.2)	(393.8)
	106.6	103.2

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 claims paid which included a hospital day case or overnight stay.

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

Notes to the financial statements continued

6. Unexpired risks

Each year the Directors assess whether the Board will incur deficits on the unexpired element of existing private medical insurance policies. This is 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 2019 is €25.8m (2018: €19.5m).

7. Net operating expenses

	2019 €'m	2018 €'m
Acquisition costs	15.3	15.1
Change in acquisition costs	(0.2)	(0.1)
Administration expenses	111.5	150.2
Net operating expenses	126.6	165.2

Administration expenses incurred during 2018 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

	2019 €'m	2018 €'m
Emoluments		
Aggregate emoluments paid by Vhi to directors	1.2	1.2
Contribution to defined contribution pension schemes	0.1	0.1
	1.3	1.3

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.

	2019	2018
The average monthly number of people employed during the financial year (including directors) was as follows:	1,451	1,390

	2019 €'m	2018 €'m
Staff costs were:		
Wages and salaries	88.3	81.8
Social security costs	10.3	9.3
Other retirement benefit costs	12.7	9.6
Other compensation costs	6.0	5.6
	117.3	106.3

The total remuneration, including pension contribution, paid to the Chief Executive and included in net operating expenses in the year to 31 December 2019 was €337,500.

9. Net investment return

	2019 €'m				
	Investment income	Investment expense	Realised gains and (losses)	Changes in fair value	Net investment return
Corporate bonds	1.5	(0.8)	1.7	9.7	12.1
Government bonds	(0.6)	(0.3)	1.2	0.7	1.0
Collective investments	(0.2)	(0.2)	(0.4)	0.4	(0.4)
Deposits in banks	-	-	-	-	(0.0)
Other investments	0.1	-	(1.6)	2.0	0.5
	0.8	(1.3)	0.9	12.8	13.2

	2018 €'m				
	Investment income	Investment expense	Realised gains and (losses)	Changes in fair value	Net investment return
Corporate bonds	0.8	(0.7)	(0.5)	(4.5)	(4.9)
Government bonds	(1.5)	(0.3)	(0.2)	1.1	(0.9)
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)

10. Other income

Other income includes income generated by subsidiary companies.

	2019 €'m	2018 €'m
Commission income	24.0	23.7
Other income	10.5	7.5
	34.5	31.2

11. Other expenses

This relates to interest expense as well as expenses associated with provision of services to clients by subsidiary companies.

	2019 €'m	2018 €'m
Expenses from the provision of health services	29.3	23.8
	29.3	23.8

Notes to the financial statements continued

12. Tax

	2019 €'m	2018 €'m
The tax charge in the income and expenditure account comprises:		
Current tax for year	5.5	10.5
Deferred tax (credit)	0.4	(0.5)
	5.9	10.0

Factors affecting the current tax charge for the financial year:

The differences are explained below:

	2019 €'m	2018 €'m
Surplus on ordinary activities before tax	50.1	92.4
Surplus on ordinary activities multiplied by standard rate of corporation tax of 12.5% (2018: 12.5%)	6.2	11.6
Effects of:		
Expenses not allowed for tax purposes	0.8	2.2
Capital allowances in excess of depreciation for financial year	0.4	0.1
FRS adjustments	0.1	0.1
Non-taxable items	(0.0)	(4.3)
Movement in expenses deductible when paid in respect of prior periods	(2.0)	0.6
Loss available for carry forward	0.0	0.2
Current tax for financial year	5.5	10.5

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.

	2019 €'m	2018 €'m
Auditors remuneration		
Audit of individual company financial statements	0.2	0.2
Other assurance services	0.1	0.1
Other non-audit services	0.1	-
	0.4	0.3

14. Land held under finance lease

	2019 €'m	2018 €'m
Land held under finance lease	1.0	-
	1.0	-

During the year, a finance lease was entered into relating to the lease of land. The term of the lease is for 500 years. All liabilities due have been paid and there are no material future obligations outstanding.

15. Land and Buildings

	2019 €'m	2018 €'m
Valuation		
At 1 January	42.5	37.8
Additions	28.0	1.9
Work in progress	-	-
Disposals	-	-
Surplus on revaluation	1.6	2.8
At 31 December	72.1	42.5

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 2019 at open market value in accordance with Royal Institute of Chartered Surveyors (RICS) appraisal and valuation standards. The purchase price has been used as the fair value for any land and buildings purchased during the year.

16. Other financial investments

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

	2019 €'m	2018 €'m
Consolidated		
i) financial assets at fair value		
Corporate bonds	592.0	726.1
Government bonds	246.4	236.5
Collective investments	177.2	139.6
Other unquoted investments	5.4	5.2
Derivatives	0.6	0.2
i) financial liabilities at fair value		
Derivatives	(0.3)	(0.1)
ii) at cost		
Deposits in banks	1.0	41.8
	1,022.3	1,149.3

	2019 €'m	2018 €'m
Board		
i) at cost		
Investment in subsidiary	479.7	479.7
	479.7	479.7

Notes to the financial statements continued

17. Other debtors

	2019 €'m	2018 €'m
Amounts falling due within one year:		
Risk equalisation scheme	318.6	301.5
Other debtors	32.4	19.2
	351.0	320.7
Amounts falling due after one year:		
Other debtors	0.2	0.2
	351.2	320.9

The Risk Equalisation Scheme debtor includes the unexpired portion of the Health Insurance Levy which amounted to €136.3m (2018: €134.4m).

18. Deferred tax asset

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

	2019 €'m	2018 €'m
Other timing differences	1.6	0.9
FRS prior year adjustments (including restatement)	-	(0.1)
Expenses deductible when paid	0.4	2.0
Losses carried forward	0.2	-
Total deferred tax asset	2.2	2.6

19. Intangible assets

	Software €'m	Total €'m
Cost:		
Balance at 1 January 2019	72.1	72.1
Additions	4.0	4.0
Retirements	(5.6)	(5.6)
Balance at 31 December 2019	70.5	70.5
Amortisation		
Balance at 1 January 2019	(67.0)	(67.0)
Charge for the year	(4.6)	(4.6)
Retirements	5.6	5.6
Balance at 31 December 2019	(66.0)	(66.0)
Net book value:		
At 31 December 2019	4.5	4.5
At 31 December 2018	5.1	5.1

	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

Notes to the financial statements continued

20. Tangible assets

	Motor vehicles €'m	Fixtures, furnishings and fittings €'m	Computer / office equipment €'m	Medical equipment €'m	Total €'m
Cost:					
Balance at 1 January 2019	3.3	24.0	28.2	0.6	56.1
Additions	0.7	3.0	4.5	-	8.2
Disposals	(0.4)	(0.2)	(0.2)	-	(0.8)
Balance at 31 December 2019	3.6	26.8	32.5	0.6	63.5
Depreciation:					
Balance at 1 January 2019	(2.2)	(13.5)	(17.8)	(0.6)	(34.1)
Charge for the year	(0.7)	(3.1)	(2.8)	-	(6.6)
Disposals	0.4	-	-	-	0.4
Balance at 31 December 2019	(2.5)	(16.6)	(20.6)	(0.6)	(40.3)
Net book value:					
At 31 December 2019	1.1	10.2	11.9	-	23.2
At 31 December 2018	1.1	10.5	10.4	-	22.0

	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	12.2	6.2	0.1	19.3
Disposals	(0.5)	(3.6)	(1.0)	-	(5.1)
Balance at 31 December 2018	3.3	24.0	28.2	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	10.5	10.4	-	22.0
At 31 December 2017	1.1	0.7	5.3	-	7.1

21. Technical provisions

	Provision for Unearned Premium and Unexpired Risks €'m	Claims Outstanding €'m	Total €'m
Gross Amount			
As at 31 December 2018	(501.4)	(470.4)	(971.8)
Movement in provision* (note 2)	(32.5)	28.5	(4.0)
As at 31 December 2019	(533.9)	(441.9)	(975.8)
Reinsurance Amount**			
As at 31 December 2018	-	34.3	34.3
Movement in provision	-	(16.9)	(16.9)
As at 31 December 2019	-	17.4	17.4
Net Technical Provision			
As at 31 December 2019	(533.9)	(424.5)	(958.4)
As at 31 December 2018	(501.4)	(436.1)	(937.5)

	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*	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	-	(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)

* Change in provisions for unearned premium and unexpired risks relates to business performance during 2019 and the impact of price adjustments during 2018.

** 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 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

22. 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 expired as at 31 December 2017.

	2019 €'m	2018 €'m
Funds withheld from reinsurer	17.4	34.3
	17.4	34.3

23. Deferred acquisition costs

Acquisition costs are expensed as the premiums to which they relate are earned. The amount of €5.0m provided for 2019 (2018: €5.0m) is in respect of costs incurred during the financial year which are directly attributable to the acquisition of new business. All other acquisition costs are recognised as an expense when incurred.

24. Other creditors and accruals due within one year

	2019 €'m	2018 €'m
Risk Equalisation Scheme	186.8	188.3
Other creditors	41.3	27.2
Accruals	42.2	61.9
	270.3	277.4

The Risk Equalisation Scheme creditor includes the value of the provision for unearned premium credits at the year ended 31 December 2019 of €127.6m (2018: €125.9m).

25. Notes to the cash flow statement

	2019 €'m	2018 €'m
Surplus on ordinary activities before tax	51.0	92.4
Add back depreciation	6.6	6.8
Add back amortisation	4.6	-
Defined benefit pension contributions in excess of charge	1.3	(16.2)
Investment (gain)/loss	(13.2)	4.7
(Gain) on disposal of property, plant and equipment	-	(0.1)
Operating cash flows before movements in working capital	50.3	87.6
Decrease in deferred acquisition costs	-	0.1
(Decrease)/increase in insurance contract liabilities	(29.0)	(88.0)
(Decrease)/increase in provision for unearned premium	32.6	(12.9)
Decrease/(increase) in receivables	(57.4)	22.4
(Decrease)/increase in payables	(7.1)	7.2
Working capital movements	(60.9)	(71.2)
Cash generated by operations	(10.6)	16.4
Income taxes paid	(11.5)	(10.6)
Net cash flows from operating activities	(22.1)	5.8

26. Analysis of changes in net debt

	At 01 Jan 2019 €'m	Cash flows €'m	Other non-cash changes	At 31 Dec 2019 €'m
Cash and cash equivalents				
Cash	18.4	79.8	-	98.2
Overdrafts	-	-	-	-
Cash Equivalents	-	-	-	-
	18.4	79.8	-	98.2
Borrowings				
Debt due within one year	-	-	-	-
Debt due after one year	-	-	-	-
	-	-	-	-
Total	18.4	79.8	-	98.2

27. Capital commitments

	2019 €'m	2018 €'m
Capital expenditure contracted for	3.6	5.8

28. Prompt payment of accounts

Payments made during 2019 were governed by the Prompt Payment of Accounts Act 1997 (as amended by the European Communities (late payment in commercial transactions) Regulations 2012) to address 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 terms specified in Vhi's 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 of compliance.

Notes to the financial statements continued

29. Retirement benefit schemes

The Board operates a defined contribution retirement plan open to eligible employees. 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 Board also operates a defined benefit pension scheme which was closed to new members effective 24 January 2013. 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 2019 amounted to €8.6m (2018: €24.0m).

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 2019 and adjusted for changes to actuarial assumptions and the occurrence of significant events and experience. The amounts have been fully implemented in the financial statements in accordance with the requirements of Section 28 FRS 102.

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

(i) The major assumptions used in respect of the pension scheme are:	2019 %	2018 %
Rate of increase in salaries	2.0	2.2
Rate of increase in pensions in payment	1.3	1.5
Discount rate	1.4	2.3
Revaluation	1.3	1.5
Inflation assumption	1.4	1.6

(ii) Long-term expected rates of return at financial year end are:	2019 %	2018 %
Equities	1.4	2.3
Fixed interest	1.4	2.3
Property	1.4	2.3
Other	1.4	2.3

(iii) Weighted average life expectancy for mortality tables used to determine benefit obligations at	2019	2018
Member age 65 (current life expectancy)	24.4	24.3
Member age 40 (life expectancy at age 65)	26.6	26.5

(iv) The assets in the pension scheme at market value were:	2019 €'m	2018 €'m
Equities	79.8	63.5
Fixed interest	92.1	111.1
Property	2.6	2.5
Non-sovereign bonds	24.7	22.9
Cash	27.2	19.8
Inflation-linked bonds	38.0	-
Other	57.3	61.5
Total market value of assets	321.7	281.3
Present value of scheme liabilities	(385.2)	(322.4)
Deficit in the scheme	(63.5)	(41.1)
Related deferred tax asset	7.9	5.2
Net retirement benefit liability	(55.6)	(35.9)

29. Retirement benefit schemes continued

	2019 €'m	2018 €'m
(v) Income and expenditure account		
Charged to net operating expenses		
Retirement benefits		
Current service cost	(7.5)	(6.8)
Death in service cost	-	(0.3)
	(7.5)	(7.1)
Other retirement benefits		
Charge to income & expenditure	(7.5)	(7.1)
Interest in scheme liabilities	6.5	(6.6)
Expected return on scheme assets	(7.4)	5.9
Past service cost	-	-
Net change in operating result	(8.4)	(7.8)
(vi) Statement of comprehensive income		
Actual return less expected return on scheme assets	28.7	(13.5)
Experience gains and losses on scheme liabilities	1.0	2.1
Changes in financial assumptions	(52.3)	(6.1)
Actuarial (deficit)	(22.6)	(17.5)
Movement on deferred tax	2.7	0.2
Total actuarial (deficit)	(19.9)	(17.3)
(vii) Movement in net deficit during the financial year		
Net deficit in scheme at start of year	(35.9)	(34.8)
Current service cost	(7.5)	(6.8)
Death in service cost	-	(0.3)
Past service cost	-	-
Contributions	8.6	24.0
Interest on scheme liabilities	(7.4)	(6.6)
Expected return on scheme assets	6.5	5.9
Actuarial (deficit)	(22.6)	(17.5)
Movement in deferred tax	2.7	0.2
Net deficit at end of financial year	(55.6)	(35.9)

Notes to the financial statements continued

29. Retirement benefit schemes continued

(viii) History of experience gains and losses	Year ended Dec-2019	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 assets % of scheme assets	28.7 9%	(13.5) (5%)	11.2 4%	10.8 5%	2.5 1%	17.0 9%
Experience (losses) and gains on scheme liabilities % of scheme liabilities	0.1 0%	2.1 1%	(3.8) (1%)	(2.1) (1%)	9.9 4%	(1.1) (1%)
Total actuarial (deficit)/surplus % of scheme liabilities	(22.7) (6%)	(17.6) (5%)	(24.3) (8%)	(22.2) (9%)	9.8 4%	14.4 7%

(ix) Recognised within the Balance Sheet:	2019 €'m	2018 €'m
Net deficit as at 31 December	(55.6)	(35.9)

(x) Movement in group assets and liabilities:	2019 €'m	2018 €'m
Assets		
Assets in scheme at 1 January	281.3	266.8
Return on scheme assets (excluding interest income)	28.7	(13.5)
Employer contributions	8.6	24.0
Employee contributions	2.5	2.4
Interest on scheme assets	6.5	5.9
Insurance premiums for risk benefits	(0.4)	(0.3)
Benefits paid	(5.5)	(4.0)
Assets in scheme at 31 December	321.7	281.3
Liabilities		
Liabilities in scheme at 1 January	322.4	306.6
Experience gains and losses on scheme liabilities	(1.0)	(2.1)
Changes in assumptions	52.3	6.1
Current service cost	7.5	7.1
Employee contributions	2.5	2.4
Interest on scheme liabilities	7.4	6.6
Insurance premiums for risk benefits	(0.4)	(0.3)
Benefits paid	(5.5)	(4.0)
Liabilities in scheme at 31 December	385.2	322.4

30. Capital management

The objective of Vhi in managing its capital is to ensure that it will not compromise its ability to meet its current or future commitments to policyholders and will be able to continue as a going concern and maintain a prudent level of capital. 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 in the past.

Vhi Insurance DAC, a subsidiary of Vhi Board, is prudentially regulated by the Central Bank of Ireland. Under this, Vhi Insurance DAC is required to hold regulatory capital in line with the EU Solvency II Directive. Vhi Insurance DAC's regulatory capital level was compliant with its obligations throughout 2019.

Vhi Insurance DAC declared and paid a dividend of €20.0m for 2019 to its parent, Vhi Group DAC. Vhi Healthcare DAC also declared and paid a dividend of €54.0m for 2019 to its parent, Vhi Group DAC.

The table below sets out the capital and reserves of the Vhi Board:

	€m
Capital resources at 1 January 2018	610.9
Surplus for the financial year	82.4
Actuarial deficit for December 2018	(17.3)
Capital resources at 31 December 2018	676.0
Surplus for the financial year	45.1
Actuarial deficit for December 2019	(19.9)
Capital resources at 31 December 2019	701.2

31. 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.

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.

Notes to the financial statements continued

31. Financial risk management continued

The table below shows financial assets carried at fair value through the income and expenditure account (as disclosed in note 16) that are measured at fair value:

	2019 €'m			
	Level 1	Level 2	Level 3	Total
Corporate bonds	-	592.0	-	592.0
Government bonds	-	246.4	-	246.4
Collective investments	-	177.2	-	177.2
Other investments	0.3	-	5.4	5.7
Financial investments at fair value	0.3	1,015.6	5.4	1,021.3

	2018 €'m			
	Level 1	Level 2	Level 3	Total
Corporate bonds	-	726.1	-	726.1
Government bonds	-	236.5	-	236.5
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

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 to the objectives, or 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 derivative 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 fixed interest government and corporate bonds. 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.

31. Financial risk management continued

The sensitivity analysis 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	
	2019 €m	2018 €m	2019 €m	2018 €m
Increase in interest rates	(15.2)	(23.4)	(13.3)	(20.5)
Decrease in interest rates	0.2	1.4	0.2	1.2

The Vhi group's sensitivity to interest rate fluctuations has decreased over the financial year due to increased holdings in floating rate instruments and increased use of derivative contracts to reduce risk.

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:

	2019 €m	2018 €m
0.5% increase		
Movement in fair value of debt securities and other fixed income securities	5.1	5.5
0.5% decrease		
Movement in the fair value of debt securities and other fixed income securities	(5.1)	(5.5)

For all other financial instruments held at 31 December 2019 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 the 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 and amounts due from policyholders and other third parties.

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

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.

Notes to the financial statements continued

31. Financial risk management continued

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

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

Receivables consist of a large number of policyholders, and their financial condition is subject to ongoing 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 in respect of external credit ratings, where available, for Vhi Board:

2019 €m	AAA < AA-	A+ < BBB	< BBB	Not Rated	Carrying Amount
Financial assets:					
Corporate bonds	78.7	481.7	31.6	-	592.0
Government bonds	122.8	122.4	1.2	-	246.4
Collective investments	143.1	34.1	-	-	177.2
Deposits in banks	0.3	0.7	-	-	1.0
Other investments	(0.2)	0.1	-	5.8	5.7
Total financial investments	344.7	639.0	32.8	5.8	1,022.3
Other assets:					
Cash at hand and in bank	-	98.2	-	-	98.2
Reinsurance assets	0.5	-	-	-	0.5
Insurance receivables	-	-	-	455.6	455.6
Other debtors	-	-	-	351.2	351.2
Total financial assets	345.2	737.2	32.8	812.6	1,927.8

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
Collective investments	139.6	-	-	-	139.6
Deposits in banks	11.8	30.0	-	-	41.8
Other investments	0.1	0.1	-	5.1	5.3
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

31. Financial risk management continued

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
2019	435.2	5.0	8.3	3.6	3.5	-	455.6
2018	406.2	5.7	8.7	3.1	3.6	-	427.3

Liquidity risk management

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

	2019 €'m					
	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
Insurance contract liabilities	124.9	132.8	150.9	33.1	0.2	441.9
Trade and other liabilities	64.2	191.3	55.0	-	-	310.5

	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	52.3	-	-	318.0

Notes to the financial statements continued

32. 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 loss ratios. The key methods used by the Vhi Board for estimating liabilities are:

- i. chain ladder;
- ii. estimated loss ratio;
- iii. average cost per claim; and
- iv. Bornhuetter-Ferguson.

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	
	2019 €m	2018 €m	2019 €m	2018 €m
5% increase in loss ratios				
Gross	(67.7)	(64.1)	(59.3)	(56.1)
Net	(56.6)	(44.9)	(49.5)	(39.3)
5% decrease in loss ratios				
Gross	67.7	64.1	59.3	56.1
Net	46.1	53.2	40.4	46.5

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

32. Insurance risk management continued

Claims development tables

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

The below tables show the information for 2014 to 2019 only, as information pertaining to prior years is not available due to underlying methodology changes in the reserving process.

Analysis of claims development

	2014 €'m	2015 €'m	2016 €'m	2017 €'m	2018 €'m	2019 €'m	Total €'m
Gross Estimate of ultimate claims:							
End of accident year	1,478.7	1,461.1	1,488.0	1,492.5	1,439.5	1,487.1	
One year later	1,326.1	1,334.6	1,365.5	1,338.1	1,337.2		
Two years later	1,304.4	1,307.3	1,340.4	1,312.8			
Three years later	1,296.6	1,295.9	1,331.8				
Four years later	1,290.4	1,290.5					
Five years later	1,286.2						
Current estimate of ultimate claims	1,286.2	1,290.5	1,331.8	1,312.8	1,337.2	1,487.1	
Cumulative payments	1,278.8	1,282.7	1,317.2	1,293.8	1,300.9	1,131.8	
In balance sheet	7.4	7.8	14.6	19.0	36.3	355.3	440.4
Provision for prior Accident Years (2013 & Prior)							1.5
Liability in balance sheet							441.9

Analysis of claims development – Net of Reinsurance

	2014 €'m	2015 €'m	2016 €'m	2017 €'m	2018 €'m	2019 €'m	Total €'m
Estimate of ultimate claims:							
End of accident year	605.9	1,028.6	1,047.4	1,015.7	1,447.1	1,496.6	
One year later	532.7	935.1	956.9	937.6	1,337.2		
Two years later	522.6	915.5	938.6	919.1			
Three years later	519.2	907.3	932.4				
Four years later	516.5	903.4					
Five years later	514.6						
Current estimate of ultimate claims	514.6	903.4	932.4	919.1	1,337.2	1,496.6	
Cumulative payments	511.5	897.8	922.0	905.8	1,300.8	1,141.3	
In balance sheet	3.1	5.6	10.4	13.3	36.4	355.3	424.1
Provision for prior Accident Years (2013 & Prior)							0.4
Liability in balance sheet							424.5

Notes to the financial statements continued

33. 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 Health and Wellbeing Holdings DAC, Vhi Investments DAC, Vhi Health Services DAC, Vhi Occupational Health DAC, Vhi Abbey DAC, Vhi Portfolio DAC and Vhi Health and Wellbeing DAC at 31 December 2019.

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 Vhi Insurance DAC, Vhi Healthcare DAC, Vhi Group Services DAC and Vhi Health and Wellbeing Holdings DAC. The other subsidiary companies shown in the table below are 100% subsidiaries of Vhi Health and Wellbeing Holdings DAC. Vhi Group DAC and Vhi Health and Wellbeing Holdings 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 Board	%
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 and Wellbeing Holdings DAC	Ireland	Vhi House 20 Lower Abbey Street Dublin 1	Holding company	€1	100
Vhi Health Services DAC	Ireland	Waverly Office Park Old Naas Road Dublin 12	Provision of health services	€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	Medical, health and wellbeing services	€1	100
Vhi Portfolio DAC	Ireland	Vhi House 20 Lower Abbey Street Dublin 1	Property rental activities	€1	100

34. Related party transactions

As with many other entities, the Board deals in the normal course of business with 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 members of the Vhi Board. Transactions with Government related parties, therefore, include claims and other expense and taxation 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 33 for interests in subsidiary undertakings.

The total remuneration of the Vhi Board key management personnel for the financial year ending 31 December 2019 was €3.2m (2018: €3.1m), of which remuneration in respect of directors disclosed in Note 8 comprises €1.3m (2018: €1.3m).

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 2019.
- 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.
- Vhi Abbey DAC provides property development services to other group companies.
- Vhi Health and Wellbeing DAC provides services to other group companies and as such has transactions with the other entities within the Vhi group.

35. Subsequent events

As discussed in the Director's Report, the Coronavirus 2019 (COVID-19) disease was recognised as a pandemic by the World Health Organisation on 11 March 2020. The Board of Directors and staff of Vhi have taken a number of actions focused on assuring business continuity for our customers, staff, healthcare partners and other key stakeholders. Vhi is continuously identifying, assessing and planning for a wide range of potential financial and operational outcomes as matters develop. Arising from these analyses, Vhi is taking steps to sustain its service to our customers and to protect its business, in a prudent manner. There have been no further significant subsequent events affecting the Vhi Board or any of its subsidiary companies since the balance sheet date.

36. Legal cases

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

37. Approval of financial statements

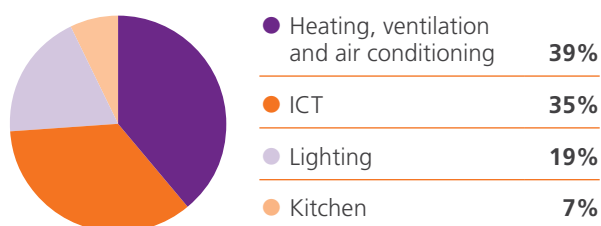
These financial statements were approved by the Board of Directors on 2 April 2020.

Energy Management and Sustainability

In 2019 Vhi Healthcare consumed 6,050,696kWh of energy, consisting of:

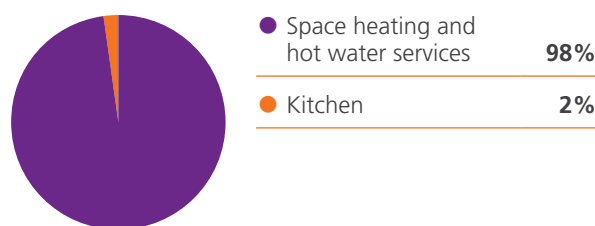
4,158,781kWh of electricity

The main energy users with estimated percentage consumption breakdown for electricity include:



1,891,915 of fossil fuel kWh (natural gas)

The main energy users of natural gas with estimated percentage consumption breakdown include:



Actions Undertaken in 2019 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 2019 for Vhi Abbey Street and Vhi Kilkenny, together with existing energy conservation measures, provided estimated total annualised energy savings of 195,330kWh and reduced the environmental impact of energy use by 104,400kg CO₂.

Actions Planned for 2020 include:

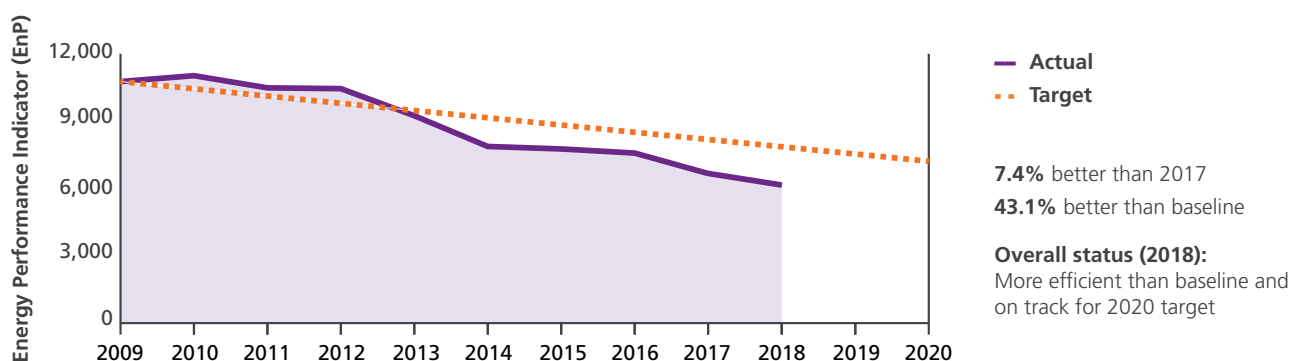
- **Energy Management Programme:** Under the SEAI Public Sector Partnership Programme address energy management training for key personnel in Vhi office buildings. Establish "Green Teams" and develop an effective energy awareness programme.
- **Heating, Ventilation and Air Conditioning:** Optimisation of building energy management system control strategies for heating ventilation and air conditioning plant. Address free cooling options for Vhi Abbey Street.
- **Energy Monitoring and Targeting:** Expand the energy monitor and targeting to encompass all office sites.
- **Renewable Energy:** Assess installing solar photovoltaic system in Vhi Abbey Street and Vhi Kilkenny.
- **LED Lighting:** Continue replacing fluorescent lighting with LED lighting

Actions planned for 2020 are estimated to provide total estimated annual energy savings of 273,000kWh and will reduce the environmental impact of energy use by 76,300kg CO₂.

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 by 33% by 2020 and play an exemplary role in terms of energy efficiency and reducing carbon emissions. All public bodies, including semi-state bodies, are required to report detailed energy data on an annual basis using the Sustainable Authority of Ireland (SEAI) online Monitoring & Reporting (M&R) System which this is used to track their progress towards the 2020 energy efficiency target of 33%.

Energy savings since baseline

Based on the 2018 SEAI's M&R energy reporting, Vhi has improved its energy efficiency by 43% since 2009 and reduced its overall Carbon Footprint by 30% (760,961kg CO₂) since 2009.



Company Details

Contact Information

Offices Open

Monday–Friday

Dublin Office

09:00–17:00

Kilkenny Office

09:00–17:00

Cork Office

10:00–16:00

Telephone

1890 44 44 44

056 444 4444

Lines Open

8am–7pm

Monday–Friday

9am–3pm

Saturday

Email/Website

info@vhi.ie

www.vhi.ie

Digital TouchPoints

Vhi Digital Medical Assistant App

www.vhi.ie

MyVhi.ie

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Cork

Kilkenny

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Purcellsinch
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Kilkenny

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Galway

Donegal

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Gweedore,
Co Donegal

Limerick

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

Vhi Clinical Practices

Vhi SwiftCare Clinic

Rockfield Medical Campus
Balally, Dundrum,
Dublin 14

Vhi SwiftCare Clinic

Columba House,
Airside Retail Park,
Swords, Co. Dublin

Vhi SwiftCare Clinic

City Gate, Mahon,
Cork

Vhi Paediatric Clinic

Rockfield Medical Campus
Balally, Dundrum,
Dublin 14

Vhi Medical Screening Centre

City Gate, Mahon,
Cork

Vhi Medical Screening Centre

Europa House,
Harcourt Street, Dublin 2

Vhi Medical Screening Centre

Waverley Business Park,
Old Naas Road, Dublin 12

Vhi Medical Screening Centre

Unit 10 & 11 Tornóg,
Headford Road, Galway

Vhi Hospital@Home

Waverley Business Park,
Old Naas Road, Dublin 12

Vhi Hospital@Home

Unit 10 & 11 Tornóg,
Headford Road, Galway

Vhi Corporate Solutions

Waverley Business Park,
Old Naas Road, Dublin 12

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Independent Auditors

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Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House,
Earlsfort Terrace,
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The benefits of membership above and beyond insurance

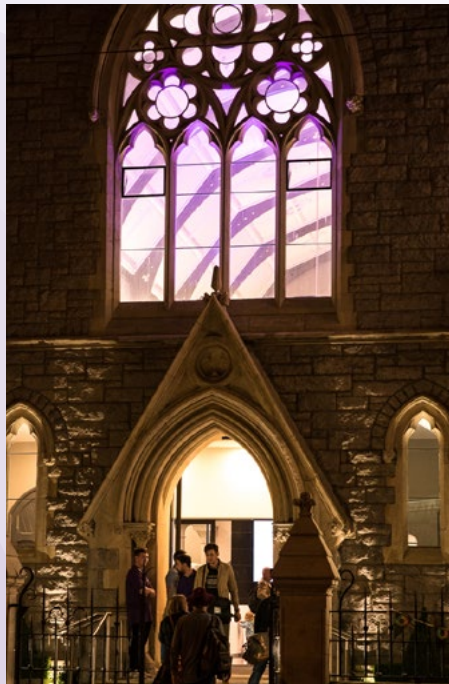
Vhi in the community

Approximately 30,000 women took to the streets of Dublin to participate in the 2019 Vhi Women's Mini Marathon





Just Ask homework club members complete their first parkrun after taking part in the Vhi/Irish Youth Foundation "Run for Fun" programme.



One of Dublin's newest and iconic buildings, Vhi opened its doors to the public for Culture Night 2019.



Culture Night 2019 included access to the Vhi Dormitorium, a stimulating sleep installation.



Vhi staff filled all the parkrun volunteer roles at St Anne's parkrun in Raheny in February.



Ballycallan Youth Club members celebrate the first 5km run at Kilkenny parkrun.



Vhi ambassador David Gillick visited Templemore parkrun to celebrate Vhi's partnership with parkrun Ireland.



Vhi staff supporting Pride 2019

Notes