



Putting the heart into healthcare

Vhi Annual Report and Accounts 2021

The new flagship
5,000 square metre
Vhi 360 Health Centre
in Carrickmines, Dublin.

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We grew our
membership
**for the seventh
year in a row.**

1,154,100

Members +22,200

€1.589bn

Gross Earned Premiums +€83m

€1.296bn

Gross Claims Paid +€149m



Vhi Board of Directors

Paul O’Faherty, Chairperson, 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.

Declan Moran, Interim Group CEO

Declan joined Vhi in 1997 from the life and pensions industry and was appointed to the Vhi Board of Directors in 2008. He served as Acting Chief Executive from November 2011 to July 2012, and as Acting Group Chief Executive from January 2020 to July 2020. He was previously responsible for Vhi’s customer proposition including 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 and a member of the Institute of Directors.

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.

Peter Cross, Independent Non-Executive Director

Peter Cross is Managing Director of Trasna Corporate Finance, an advisory firm specialising in telecoms and infrastructure, and is a non-executive director of Cubic Telecom, of DAA and of a number of wind energy assets managed by Arjun Infrastructure. Peter was previously director and audit committee chair at Ervia, and audit committee chair at the HSE. Prior to establishing Trasna, Peter worked as CFO of eircom and of BT Openreach, as Group Director of Corporate Finance at BT and as a trustee of BT’s defined benefit pension scheme. He worked in corporate finance at Barings and Morgan Stanley and he qualified as a chartered accountant with Arthur Andersen in Dublin.

Mike Frazer, Independent Non-Executive Director

Mike Frazer is an actuary with more than 30 years’ experience in the insurance industry, having worked primarily with Irish Life, Zurich Life and as CEO of AXA Life Invest Reinsurance. In addition, he worked at the Central Bank of Ireland where he was Deputy Head of Insurance Supervision. He currently works as a consultant with William Fry Solicitors, and is a non-executive director of a non-life insurance company. From 2018 to 2021, he served as the Honorary Secretary of the Society of Actuaries in Ireland.

Karen Furlong, Independent Non-Executive Director

Karen Furlong is an experienced Director with 30 years’ experience across financial services (insurance and banking), fintech, professional services and not for profits. She has expertise in digital transformation, strategy, change and transformation, governance and risk. She has worked in Standard Life, Prospectus Strategy Consultants, Fineos, First-e Internet Bank, Educational Building Society, CUNA Mutual and Allianz and has held board roles in ECO Unesco, Dublin City University and National College of Art and Design. She is currently chairperson of AirPOS SaaS and has INED positions with the Progressive Building Society, Triodos Bank and The Personal Injuries Assessment Board (PIAB) in Dublin.

Paul
O’Faherty

Declan
Moran

Joyce
Brennan

Peter
Cross

Mike
Frazer

Karen
Furlong



Mary Halton, Independent Non-Executive Director

Mary Halton is a Chartered Accountant with a range of executive, non-executive, and advisory experience gained in the UK, Canada, and Ireland. With a background in banking and insurance, she now provides board advisory and governance services to organisations in the public and private sectors. She holds a PhD in Public Policy, an MSc in Executive Leadership, and her research on board governance has been published internationally. Mary currently serves as a lay member of the UK Copyright Tribunal.

Dean Holden, Independent Non-Executive Director

Dean Holden is a senior adviser to AMP Capital Investors Ltd. He spent 29 years at Bupa where he was responsible for the growth and development of the 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. He was also an Independent Non-Executive Director of the Skin and Cancer Foundation, Australia until the end of 2021. 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.

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 and he presently chairs VistaMilk SFI Research Centre. Greg has served on the Boards of Joe Duffy Motors, Digicel, The Irish Times and Eir. In addition, he chaired the Coombe Hospital for a number of years.

Brian Walsh, Director, Finance

Brian joined Vhi in November 2014 as Director, Finance and was appointed to the Board in March 2015. Prior to joining Vhi, he worked with global food and ingredients company Ornu, based in Los Angeles. Previously, Brian led a successful private equity fund, focused principally on developing pan-European businesses. 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 business degrees from University College Dublin.

Mary
Halton

Dean
Holden

Finbar
Lennon

Greg
Sparks

Brian
Walsh



Management Team

Declan Moran, Interim Group CEO

Declan joined Vhi in 1997 from the life and pensions industry and was appointed to the Vhi Board of Directors in 2008. He served as Acting Chief Executive from November 2011 to July 2012, and as Acting Group Chief Executive from January 2020 to July 2020. He was previously responsible for Vhi's Customer Proposition including 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 and a member of the Institute of Directors.

Amy Burke, Director, Group Human Resources

Amy Burke is an experienced Human Resources executive responsible for the culture and colleague agenda within Vhi. Prior to joining Vhi in April 2020 Amy was Interim Head of HR for Bank of Ireland Group. She has led significant change management programmes including organisational culture, talent and succession planning and organisational design programmes. Her career with Bank of Ireland initially started in retail banking before moving on to specialise in HR where she held HR Director roles in their Retail, UK, Capital Markets and Group Functions. Amy has a BSc in Finance from UCC and is also a graduate of the Ross School of Business, University of Michigan.

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.

Ronan Fitzpatrick, Chief Information Officer

Ronan is an IT Executive with almost 30 years of experience including five years advisory consulting experience. He joined Vhi in June 2021 from PwC Technology Consulting where he was Director of Digital and worked with a number of the most recognisable brands/clients in the Irish market. Previously Ronan was in Aer Lingus, where he held a number of roles in both commercial/business and IT including Director of Digital and Mobile and Director of IT Enterprise Applications. Ronan has extensive expertise in transformation, defining new target operating models for a digital age, establishing new ways of working, IT delivery and business problem solving using appropriate existing and emerging technologies in competitive, commercial environments. Ronan has an BSc in Applied Computing from Waterford Institute of Technology.

Aaron Keogh, Managing Director, Vhi Healthcare

Aaron is responsible for Sales, Service, Marketing and Business Development 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 Chartered Director of the Institute of Directors.

**Declan
Moran**



**Amy
Burke**



**Dr. Bernadette
Carr**



**Ronan
Fitzpatrick**



**Aaron
Keogh**



Adam Lyon, Head of Risk

Adam Lyon is an actuary with over 30 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 delivering strategic transformation initiatives – leading Vhi's customer transformation agenda and developing innovative solutions to meet the future healthcare needs of 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 leading the set-up of a new business unit to develop a portfolio of diversified general insurance products. 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, Operations

Margaret Molony has over 30 years' experience in Vhi and is responsible for Insurance Operations in the organisation. Prior to her current role, Margaret held the role of Director – Information Technology within Vhi. She was appointed Director, Operations in 2020. She is also a member of the International Insurance Federation and INSEAD Alumni Association.

Brian Walsh, Director, Finance

Brian joined Vhi in November 2014 as Director, Finance and was appointed to the Board in March 2015. Prior to joining Vhi, he worked with global food and ingredients company Ornu, based in Los Angeles. Previously, Brian led a successful private equity fund, focused principally on developing pan-European businesses. 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 business degrees from University College Dublin.

Dr. Barry White, Managing Director, Vhi Health & Wellbeing

Dr. Barry White is the Managing Director of Vhi Health and Wellbeing DAC since 2018. Prior to joining Vhi, Barry was a Consultant Haematologist in St. James Hospital (2001–2018), National Haemophilia Director (2001–2018) and the HSE Head of Clinical Strategy and Programming (2009–2012). In addition he has served as Clinical Associate Professor, Trinity College Dublin.

Adam
Lyon



Tim
McKeown



Margaret
Molony



Brian
Walsh

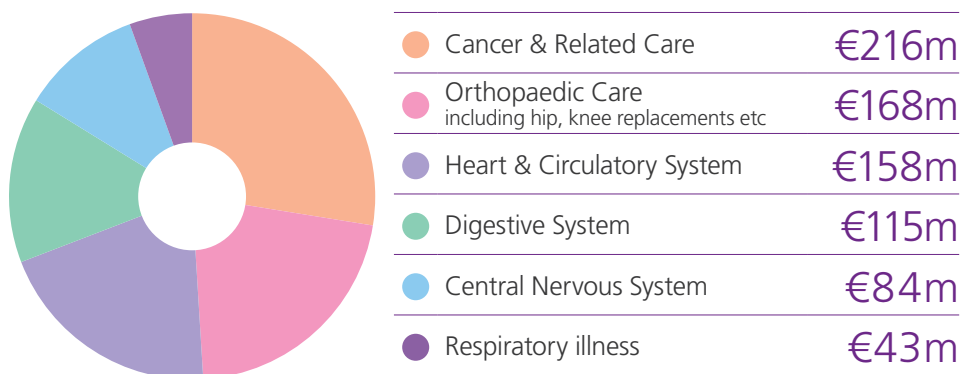


Dr. Barry
White



We continued to focus on giving our customers access to **the most up-to-date proven treatments.**

Value of top six claims by illness in 2021







“Throughout the year, we continued to invest in our people and our technological infrastructure, enabling new ways of working that optimised our ability to respond to customers’ needs.”

Chairperson's Review

The COVID-19 pandemic continued to impact the healthcare environment throughout 2021, restricting access to many healthcare facilities and services across the country. Vhi adapted to the changed environment by accelerating the move to online service delivery and continuing to provide in-person care wherever this was possible and appropriate. The focus remained at all times on ensuring that we continued to deliver on our core purpose: helping our customers live longer, stronger, healthier lives by meeting their healthcare needs through whatever mechanism was available to us.

The ongoing constraints which limited access to healthcare services led to an overall reduction in claims. As the only health insurer that exists solely to meet the healthcare needs of our customers, the reduction in claims informed our decision to waive a portion of premium for our customers on two separate occasions in 2020 and 2021.

An Enhanced Vision of Care

The Board reviewed and endorsed the organisation's vision to provide access to superior, affordable, health and wellbeing services that meet the needs of our customers at various life stages, while always ensuring an excellent customer and patient experience.

The Board confirmed that this strategic direction is the right one for our customers and for the long term success of our business.

The implementation of our strategic vision has progressed steadily leading to innovation in our structures, in our ways of working and in the products and services we offer. This is evident across the full span of our activities from the shift to a customer-focused digital operating platform to the scaling up of the strategic healthcare service capabilities.

The Vhi 360 Health Centre in Limerick successfully completed its first full year in operation. In December 2021 Vhi announced the opening in early 2022 of a new flagship 5,000 square metre Vhi 360 Health Centre in Carrickmines, Dublin. Staffed by clinicians with fellowships in urgent care and integrative medicine, it will focus on health promotion and prevention as well as treatment. The Vhi 360 Health Centre represents a pioneering model of healthcare in Ireland. This model takes a holistic view of the patient's health including physical, mental and emotional wellbeing and is central to our overarching strategy.

Ensuring Affordable Healthcare for All

Community rating is an important feature of the private health insurance market. It ensures that older and sicker customers can continue to purchase affordable health cover irrespective of their age, health status or past claims. Risk Equalisation is an essential factor in helping realise this goal.

The Risk Equalisation scheme has steadily improved over time and Vhi welcomes the expansion in health credits through the introduction of a high-cost claimant's pool. This will help underpin Community Rating.

Affordability is a critical and ongoing priority for the private health insurance market. The introduction of young adult rates has been particularly successful at reducing cancellation rates among young customers. An expansion in young adult rates up to age 34 would provide targeted support for the continued participation of younger customers and families within the market.

Rapid advances are being made in healthcare delivery with an increasing level of care taking place in day case and community care settings and also in patients' homes. These changes benefit the wider healthcare system with greater availability of hospital beds for sicker patients and lower treatment costs. They also benefit patients who can receive care closer to home and family. Health insurance regulations must continue to reflect these changes and their implications.

Chairperson's Review continued

Support for Our People

The Vhi People Strategy, approved by the Board in 2020, is being rolled out and is continually evolving. It aims to provide colleagues with the structures and supports they need to achieve their full potential and to be successful in delivering on our purpose 'to help our customers and patients live longer, stronger, healthier lives'.

A key strategic initiative is to build transformational leadership capability by encouraging continuous learning and creating an inclusive culture where diversity is championed. During 2021, Vhi designed and delivered a Women in Leadership Development Programme that promotes and supports female leaders in our organisation. Other measures implemented in 2021 included provision of specific structures for, and investment in, the Vhi Women's Network and the Vhi Multicultural Network.

Culture is in everything we do, it impacts on colleagues, customers and patients. Vhi has a rich history and legacy and it is important that, as we move forward, we do not lose the many things that make our organisation exceptional. At the same time we need to change if we are to deliver on our ambitious strategy. Following a culture review in 2021, our key priorities are to bring our core values to life, to join around a shared vision of the future of Vhi, and to empower our people more than ever before. We aim for a culture where diversity is championed and colleagues are able to perform at their best while being their true selves at work.

A Sustainable Future

Vhi is progressing to deliver an ambitious sustainability programme for the Vhi Group that is fully integrated with our purpose and strategy. In 2021 work commenced on a new sustainability framework for the Group.

This work is ongoing and we will seek to agree overall ambitions with senior leadership and the Board which are aligned with the Group's stated strategic direction and broader commercial strategy. It will build on work already completed which is centered around five pillars including customers and patients, colleagues, community, environment, communications and governance. These pillars will be further refined and validated, and a clear set of KPIs will be developed.

Governance

The Group Board seeks to ensure that its governance structures are fit for purpose, appropriate and effective for the nature, scale and complexity of Vhi's business lines.

A board and committee structure is in place to oversee all aspects of Vhi's activities. This structure was reviewed and strengthened in 2021 further defining the roles of the Group and its subsidiaries.

The Vhi Group has established four committees to assist it with its work:

- Group Audit Committee (chaired by Mary Halton)
- Group Risk Committee (chaired by Joyce Brennan)
- Group Remuneration Committee (chaired by Dean Holden)
- Group Nomination and Governance Committee (chaired by Paul O'Faherty)

Two new Independent Non-Executive Directors, Peter Cross and Karen Furlong, were appointed to the Board in January 2021.

In July 2021, John O'Dwyer retired as CEO and, on behalf of the Board, I would like to thank John for his excellent leadership of Vhi since his appointment in 2012. John steered Vhi through some of the most significant changes in its history, leaving a well-financed, transformed company. He nurtured a customer care culture that is palpable and evident in all aspects of the organisation and its operations. In 2015, under John's stewardship, Vhi was authorised by the Central Bank of Ireland, a major milestone in our history and hugely important in terms of Vhi's ability to grow and develop.

The Board continues a comprehensive and extensive selection process for a new CEO. On August 1st, 2021, Declan Moran was appointed CEO on an interim basis. He is working with the Board and leadership team to implement the business strategy for the benefit of our customers and patients. On behalf of the Board, I would like to thank Declan for taking on this role and for the very significant contribution he has made to Vhi.

Platform for Progress

Whether providing care in our clinics or working from home, the flexibility, creativity and dedication shown by our colleagues throughout 2021 ensured that Vhi continues to live up to the principles of our customer-centric ethos.

I want to extend my heartfelt thanks to each and every colleague for their invaluable individual contributions to our positive collective response to the unique demands of 2021.

Anchored by the resilience of our people, Vhi's performance in the past 12 months provides a strong platform that will allow us to meet future challenges while continuing to build a robust and effective customer focused business. In the short to medium term, our objective will be to respond effectively to the expected recovery in demand for healthcare services following the removal of the constraints imposed on the healthcare system over the last two years.

Finally, I want to thank our customers for choosing Vhi. We are committed to continuing to focus relentlessly on anticipating and addressing their health concerns and responding effectively and innovatively to meet their changing healthcare requirements.



Paul O'Faherty
Chairperson



We achieved **strong growth in Clinical Services.**

+28%

Health and Wellbeing
Over 380,000 Interactions

+32%

Vhi Swiftcare
105,000 Consultations





“Vhi continued to transform our business. We adapted our ways of working and our health and wellbeing operations to meet our customers needs while also launching additional services and initiatives to improve our offerings to them.”

Vhi Operations Review

Vhi has emerged from 2021 with greater service capabilities, continuous developments and improvements in our customer proposition and enhanced capital strength. The organisation is positioned to drive forward with our ambitious strategy and is capable of addressing any challenges that may lie ahead.

Despite the challenging environment created by the pandemic, we achieved a solid financial performance with an increase in revenue and growth in membership for the seventh year in a row. A portion of premium was waived and returned to customers in 2021 in recognition of the reduction in claims by customers over the course of the pandemic.

In 2021 there were strong sales for private health insurance, particularly in the corporate market, supported by innovative health and wellbeing benefits including new and enhanced digital benefits and mental health supports. Wellness programmes were well received with strong participation levels from corporate employees. Vhi also achieved membership growth in the self pay market, where demand for our products remains strong. As part of our response to the COVID-19 pandemic, we introduced financial supports for customers experiencing financial hardship as a result of Covid.

There was strong growth in the number of customers and patients that we directly serviced with our growing healthcare provision business and in 2021 there were over 380,000 healthcare interactions. Overall, utilisation of Vhi Health and Wellbeing services were up by about 28% from last year. These services will be further developed and embedded into our products in 2022.

Overview of Financial Results

In 2021, we delivered a net surplus of €65.3 million from consolidated business activities. This represents an increase on last year when our net surplus was €52.7 million. This was largely driven by strong membership performance.

The gross earned premium for private health insurance in 2021 came to €1.589 billion. This was also up on 2020 when it came to €1.506 billion. In addition, our Private Health Insurance membership grew this year, totaling 1,154,100, compared to 1,131,900 in 2020. Total claims paid in 2021 amounted to €1.295 billion, compared to €1.147 billion in 2020, an increase of 13 per cent.

Income from insurance products and services other than private health insurance amounted to €26.2 million during the year. While this was down marginally from €28.6 million in 2020, it is a robust result in the context of the second year of the pandemic.

At the end of December 2021, Vhi had free reserves of €859 million, compared to the previous year's €773 million.

Transforming Healthcare

Despite the challenges posed by the pandemic in 2021, we continued to implement our ambitious and transformative strategy launched in July 2017.

The Vhi customer experience was significantly enhanced through the use of new digital initiatives and accelerated development of Vhi health and wellbeing services.

The success of our new Vhi 360 Health Centre in Limerick in its first year of operation and the opening of our state-of-the-art flagship Vhi 360 Health Centre in Carrickmines in February 2022 increases our clinical service resources. In the years ahead, Vhi 360 Health Centres will facilitate further increases in the volume of patient interactions.

Vhi 360 Health Centres in Limerick and Carrickmines present a new model of healthcare to Ireland, one that is proactive, personalised and patient centered. This model will transform our customer's experience of healthcare and lead to better health outcomes.

Vhi Operations Review continued

Expanding Clinical Services

Despite the continued challenges posed by COVID-19 in 2021, resulting in a falloff in access to some hospital and in-person services for customers, Vhi maintained and enhanced the range and quality of our clinical services.

This was achieved by continuously innovating. We offered new care settings, including virtual consultations, which gave customers access to the widest possible range of treatments, drugs and procedures. The pandemic has accelerated changes in the way patient care is being delivered and in particular patient care in community settings where possible, providing treatment in Consultants' private rooms and out-patient centres/clinics.

Vhi continues to focus on giving our customers access to the most up-to-date proven treatments and ensuring our benefits are reflective of modern medical practice. In 2021 we extended our coverage for MRI, endoscopic procedures, bariatric surgery, mammograms and CT angiograms. Vhi continues to provide the best in cancer care for our customers and we offer complete support for all stages of the journey from cancer prevention, detection, treatment and recovery. Cancer treatment continues to be our largest claims payout and in 2021 we paid €216 million for cancer care for our customers.

Our CareHub clinical call centre was launched in March 2020 to ensure the safety of staff and patients. This is now a core and valued component of our healthcare offering. Significant investment has taken place in 2021 in terms of resourcing and developing technology solutions to provide a high quality service to our customers. Our CareHub serviced over 120,000 inbound customer calls and almost 50,000 doctor/nurse outbound calls in 2021, a rise of 36,000 contacts overall offering our customers an alternative channel for their healthcare needs.

Our Urgent Care centres transitioned to an appointment led service to align with social distancing measures appropriate to health care settings. This has allowed us to better manage flow through the service, ensuring prompt service to our customers while protecting patients and staff. Effective roster management and forecasting allows us to prevent any significant impact to service hours or clinic access.

New additions to our healthcare services included the establishment of an ADHD Clinic in our paediatric clinic at Vhi Swiftcare in Balally. This service has now transitioned to Vhi 360 Health Centre at Carrickmines. Vhi also launched a screening benefit specifically for young people and a fully remote midwife support service for customers. At our Swiftcare Clinic in Cork, Vhi launched a musculoskeletal physiotherapy service. In Limerick, we invested in the development of a Lifestyle Health Programme with a 360 Health Coaching service alongside a Digital Health Coach Service. Our Vhi Verified online lifestyle health blogs also went live in 2021.

These measures have contributed significantly to the delivery of our strategy which sees Vhi continue to evolve and grow the range of healthcare services provided.

Enhancing the Customer Experience

During 2021 Vhi managed over 5 million interactions with our customers. This included 1.5 million unique user interactions on www.vhi.ie, over 1 million telephone calls, over 1.8 million claims related contacts and many other customer interactions across multiple channels including email, webchat and chat in the App.

Vhi was ranked in first place for customer experience in the health insurance sector in Ireland in 2021, reflecting the impact of a range of measures taken to enrich the customer and patient experience throughout the year. Customer complaints were down and we established a dedicated voice of the customer and patient team. Some exciting new features were added to the Vhi App, as well as a redesign of the Vhi app and the online portal, MyVhi. Revised renewal packs were introduced including an easy-to-use benefit comparison facility.

Over the past 12 months Vhi has actively streamlined its health insurance plans making it easier for customers to find the right plan to suit their health and wellbeing needs at their particular stage in life, offering relevant benefits to customers.

Modernising Our Digital Infrastructure

COVID-19 continued to interrupt availability of some in-person services during 2021. As a result, there was a rapid acceleration in the adaptation of our products and services to delivery via remote and digital services where appropriate.

Demand for and utilisation of our remote digital consultations, including online GP consultations and mindfulness and meditation apps, continued to grow this year. We adapted our technologies to improve the online experience for our customers and delivered over 46,000 online GP consultations. There were over 105,000 Swiftcare consultations in 2021, many of which were online and over 67,000 Nurseline consultations.

90% of our customers are using “Snap and Send” to submit their primary care claims through the Vhi App. This has grown steadily year on year since it was first introduced in 2016 and this year over 660,000 primary care claims were made through the app. Over 137,000 customers availed of the webchat service in 2021 and over 2,000 customers availed of the Vhi parkrun rewards.

Supporting Our Communities

Support for the community has always been central to Vhi’s ethos. This year we continued our sponsorship programmes with a number of successful online initiatives.

parkrun in partnership with Vhi which supports free 5k runs in local parks all over the country, continued throughout 2021. Vhi continued to support virtual parkrun developed to meet Covid-19 restrictions through the Vhi App and Vhi parkrun rewards. In the Autumn, we welcomed the return of the organised events which continue to be hugely successful and well attended. In 2021 the Vhi Women’s Mini Marathon was virtual and attracted an impressive 14,000 participants. We are looking forward to getting back on the streets of Dublin for a physical event in 2022.

Our work with the Irish Youth Foundation Health and Wellbeing Fund continued, with a focus on helping to build resilience among underprivileged youth and positively impacting their lives. A total of €85,000 was donated to 11 separate projects across the country.

The Next Five Years

In July 2021, the Board reviewed and approved the group business strategy for the next five years which builds on the success of the 2017–2021 strategy. The strategy commits the organisation to delivering better healthcare for customers and patients and a better customer and patient experience.

The organisation will continue to evolve from a traditional health insurer to a healthcare partner. By providing customers with access to a connected and co-ordinated health and wellbeing model of care we will help them and their families live longer, stronger and healthier lives while doing so more cost effectively. This focus and strategy will see Vhi consistently adding to our offerings and improving our services in the coming years.

The Commitment of Our People

Overall, Vhi has responded well to the challenges posed by 2021. The dedication and commitment of our people has ensured our continued success as they deliver our highly-rated customer service experience, maintain and expand our transformative range of clinical services, increase and streamline operational efficiencies while recording strong financial performance.

Vhi has emerged stronger, particularly in the breadth of our insurance and healthcare offerings, and with an ever-sharper focus on the development of our understanding of Vhi customers and their health priorities.

As we face the future, inspired by the transformation of Vhi to an organisation focused resolutely on a comprehensive vision of the health and well-being of its customers, we are excited about the prospects ahead and the role that Vhi can play in helping to enhance the healthcare system in Ireland as a whole.



Declan Moran,
Group CEO (Interim)

We accelerated the **delivery** of services **digitally**.

+79%

Online GP
46,000 consultations

1.5m

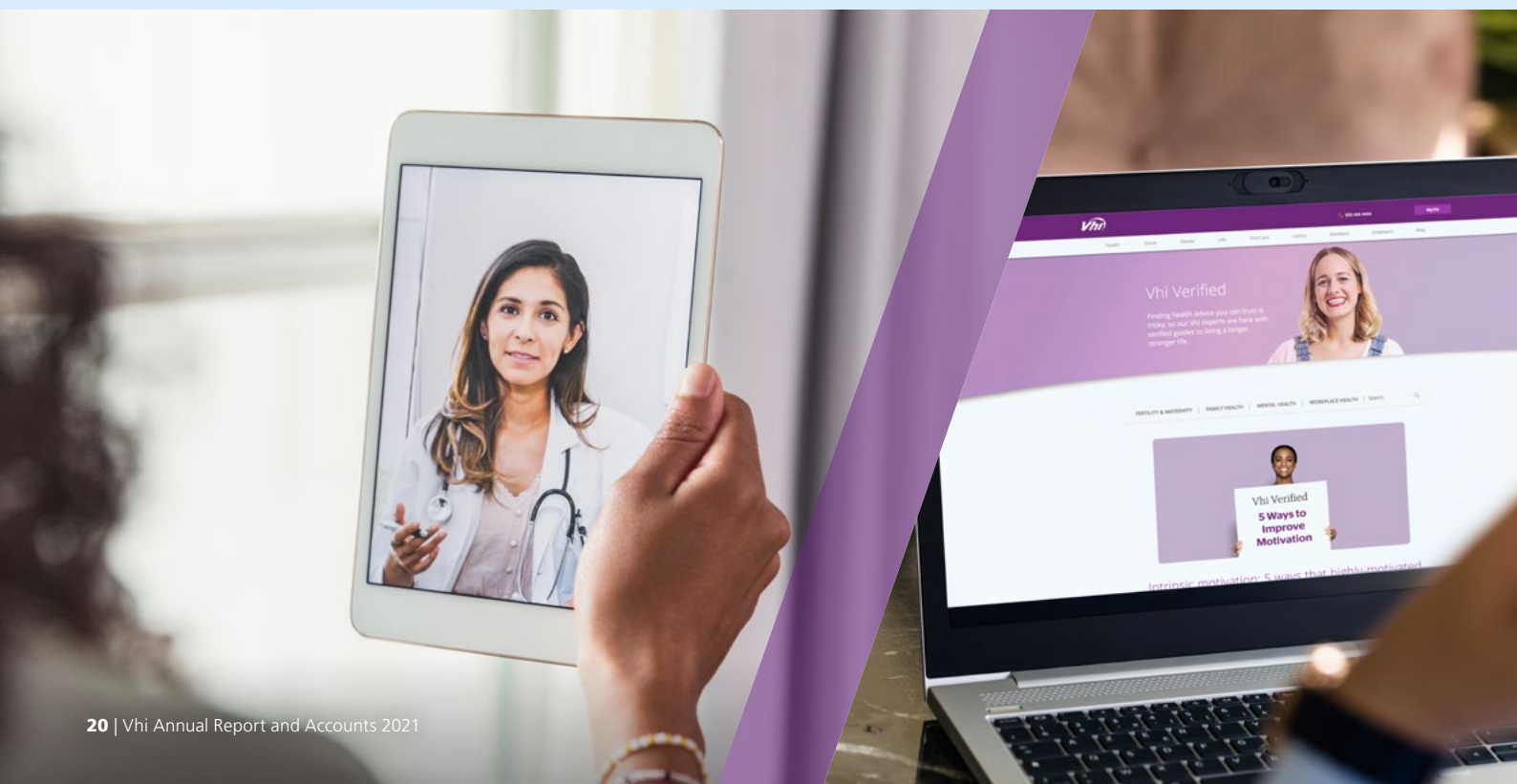
Unique interactions
1,500,000 visits to vhi.ie

+27%

Clinical Call Centre
170,000 calls

+43%

Web chats
185,500 in 12 months



+41%

Snap & Send claims
Over 660,000 primary care
claims submitted via the App

90%

Primary Care Claims
90% of customers used
Snap & Send to submit claims



Putting the heart into healthcare

A snapshot of initiatives in 2021 for our customers, colleagues and communities.

Vhi Health & Wellbeing Fund

Vhi's Health & Wellbeing Fund was established in partnership with the Irish Youth Foundation (IYF) and awards grants to youth focused organisations across the country.



The Fund was first launched in 2020 at the height of the Covid-19 pandemic in Ireland – a critical time for the youth sector – particularly those living in disadvantaged circumstances. As 2021 saw a new wave of pandemic and the subsequent restrictions confining people to their homes and immediate surroundings, Vhi wanted to support young people and help the organisations they engage with.

Non-profit charity organisations who work directly with young people or with adults who surround them, located in Cork, Donegal, Dublin, Galway, Kilkenny and Limerick were invited to apply to the Fund and in February 2021 €85,000 was awarded to 11 projects focused on strengthening resilience and helping young people manage anxiety with an emphasis on early intervention and prevention work.

Fund awardees, Clowns without Borders Ireland (pictured below) is an organisation which works to bring emotional relief to displaced individuals internationally and across Ireland. Their project 'Ripples of Laughter', took place over 13-weeks and gave young people in Direct Provision Centre's in Dublin and Galway the opportunity to partake in theatre and circus workshops designed to help with anxiety management.



International Women's Day 2021

International Women's Day is a global day celebrating the social, economic, cultural and political achievements of women.



In 2021 the theme was #choosetochallenge with the idea that a challenged world is an alert world and individually we are all responsible for our own thoughts and actions. Vhi marked this important day doing so with both reflection and celebration. A Lunch and Learn event was held with speakers covering topics from communicating and remaining visible in a remote working environment to self-care strategies for working women and a showcase of women from history who have shaped our lives.

Vhi employees were also invited to submit the best advice, either professional or personal, they had either given or received and an 'Advice for Life' booklet was created to share and enjoy some of the practical, innovative and inspirational tips.

Celebrating Pride in our People

Vhi embraced and celebrated diversity and inclusion with a number of "Pride in our People" themed events.



A number of pride themed webinars were hosted throughout June supporting and championing diversity and inclusion. Separately employees were encouraged to submit their heart themed photos and drawings to create a giant Vhi heart filled with pride to celebrate the day.

Vhi parkrun rewards

In 2021 Vhi continued our commitment to helping customers live longer, stronger, healthier lives with support for parkrun through our parkrun rewards.



parkrunners who are Vhi customers can earn rewards through the Vhi app. First-time parkrunners were encouraged to lace up their runners and get outdoors on a Saturday Morning.

Vhi Health Insights Report

In February 2021 Vhi revealed the findings of the latest, 'Vhi Health Insights Report' series.

The report titled *'The Corporate Social Network: Employee Engagement and Well-Being in a Changing Workplace'* was the fifth in a series of in-depth reports by Vhi into the health of Ireland's corporate employees. The research, which coincided with the unprecedented circumstances of the Covid-19 pandemic, looked at the complexities of social engagement in the corporate workplace and the implications these might have for employee wellbeing.



Vhi Virtual Women's Mini Marathon

The 2021 Women's Mini Marathon, took place virtually on September 19th, marking Vhi's seventh year as title sponsor of this phenomenal event that promotes health and fitness as well as raising much needed funds for worthy causes nationwide.

Musician and broadcaster Una Healy launched the 2021 Vhi Virtual Women's Mini Marathon in Tipperary, her home county while Galway ambassador Dr Laura Lenihan encouraged Galwegians to get involved. Almost 14,000 women ran, walked and jogged the 10k event in September in towns and cities across Ireland raising funds for charities of their choice.



Directors' Report for the Financial Year ended 31 December 2021

The Directors present their 65th 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 private medical insurance underwriting entity and Vhi Healthcare DAC was incorporated as the retail intermediary for sale of private medical and other insurance offerings ("Regulated Entities"). The Vhi Board also operates medical provision services, including Vhi 360 and Swiftcare Health Centres, Vhi Hospital@Home, Vhi Medical Screening and other health and wellbeing services through its Vhi Health and Wellbeing group of companies.

Business Review and Results

The consolidated results for the year ending 31 December 2021 are set out in the Income and Expenditure account shown on page 38. The consolidated Vhi Board surplus after tax for the year is €65.3m (2020: €52.7m).

During 2021, Vhi continued to invest in healthcare benefits and services in support of helping customers live longer, stronger, and healthier lives. Vhi's investments focused on enhancing medical and healthcare solutions, customer and patient experience, and the working methods and environment of colleagues. In early 2021, Vhi officially opened its Vhi 360 Health Centre in Limerick offering all Vhi customers in the mid-west region access to urgent care for minor injury and illness, as well as health and wellbeing services delivered by a multi-disciplinary team. During February 2022, Vhi opened its state of the art Vhi 360 Health Centre in Carrickmines, Dublin. In addition to offering the broad range of minor illness and injury services, which are synonymous with SwiftCare, these new facilities also offer health assessment and health coaching with a focus on intervention and prevention services; primary care services for those attending the clinic, as well as physiotherapy, diagnostics and orthopaedic follow up.

Vhi continued to introduce measures in recognition of the issues and challenges facing customers as a result of the ongoing COVID-19 public health crisis. These included extended tele-health and community care as well as a

return of value during 2021 to Vhi private health insurance customers, paying €75 for every adult insured and €25 for every child insured. In recognition of the fact that private health insurance claims levels continue to be lower than pre-COVID levels, Vhi has also reserved €142.2m during 2021, with additional value set to be returned to customers during 2022, as Vhi continues to commit to our promise to not profit from the global pandemic. Vhi also introduced measures in recognition of the impact of the pandemic on its MultiLine customers with Vhi MultiTrip customers, insured on 31 December 2020, offered an additional six months extension of cover at no extra charge. This was further extended from July 2021.

Vhi also continues to work closely with the Department of Health, the HSE, private hospital operators and medical consultants to support the Government and Irish residents in this time of national crisis. In January 2021, a new arrangement was agreed between the HSE and the private hospitals whereby private hospitals would provide treatment to non-COVID-19 patients of the public hospitals. In line with Vhi's COVID-19 charter, Vhi supported the national effort by providing its staff, resources and expertise to administer this arrangement for the HSE on a not-for-profit basis.

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

Future developments

The Directors are satisfied with the conduct of business for the year and will continue to invest in excellent healthcare and customer services for its customers. Vhi customer access to private healthcare continues to be adversely impacted by the effects of the pandemic and increasing utilisation of private healthcare capacity by the public health system. This is contributing to uncertainty regarding near-term healthcare claims costs and related business performance. The cyber attack on the Health Service Executive's (HSE) IT systems during the year created further uncertainty, causing interruption in and volatility of public hospital claims submission patterns. The Board are monitoring developments closely and will continue to seek to assure prudent conduct of business and fair customer outcomes.

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 2021.

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 Vhi 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 and its subsidiaries.

The Board assures appropriate systems and structures of governance and during 2021 introduced new and revised Terms of Reference for the Vhi Group DAC, Vhi Insurance DAC and Vhi Health and Wellbeing DAC boards, as well as for the Group and Insurance Risk Management and Compliance and Audit Committees. This work will continue in 2022 with the review and revision of the Terms of Reference for the Remuneration Committee and the Nomination Committee, the remit of which is being expanded to include governance. A new Governance Framework document will also be completed as part of this work.

Board of Directors

The Directors of the Vhi Board at 31 December 2021 are listed on page 4 and in the table below. The roles of Chairperson and Chief Executive are separate. All Directors are appointed by the Minister for Health. The Board held eighteen meetings during 2021, 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 all members in sufficient time before meetings. Appropriate training and briefing is available to all Directors on appointment to the Board, with further training made available over the course of the year, as required. The Directors may take independent professional advice. All Directors have access to the advice and services of the Company Secretary and Directors' liability insurance cover is in place. The Board has undertaken an internal evaluation of its performance for the year 2021.

Directors' Report for the Financial Year ended 31 December 2021 continued

Board and Board Committee Members' Attendance at Meetings held during the financial year 2021:

	Board		Audit Committee		Remuneration Committee		Risk Management & Compliance Committee		Nomination Committee	
	A	B	A	B	A	B	A	B	A	B
Paul O'Faherty	16**	18			13	13			2+1*	4
Declan Moran	15	15			2	3	7	8	1	1
John O'Dwyer	6 ^Δ	12					4	5	1	1
Brian Walsh	15	15								
Joyce Brennan	17	18			10	10	8*	8	2	2
Peter Cross	16 [∇]	16	1	1			2	2		
Karen Furlong	15 [∇]	16			3	3			2	2
Mike Frazer	18	18					8	8		
Mary Halton	18	18	7+1*	8						
Dean Holden	17	18	7	7	3*	3	5	6	2	2
Finbar Lennon	18	18	7	8	13	13			3	4
Greg Sparks	16	18								

*Chairperson of Committee as at 31 December 2021 **Chairperson of the Board ^ΔRetired during 2021 [∇]Appointed during 2021

There were some changes to the Board of Directors during 2021. Two new Directors, Karen Furlong and Peter Cross, were appointed to the Board on 28 January 2021. John O'Dwyer, Chief Executive Officer, retired on 31 July 2021, and Declan Moran was appointed as Interim Chief Executive Officer, effective 01 August 2021. Declan Moran was also appointed Acting Chief Executive Officer for the period 30 March 2021 to 24 May 2021 inclusive.

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

Column B: The number of meetings held during the year that the Director was a member of the Board and a member of the committee and not conflicted

Audit Committee

The Directors have established an audit committee to assist in the execution of its responsibilities.

As at 31 December 2021 the Audit Committee consisted of four non-Executive Directors. There were changes to the Audit Committee during the year. Dean Holden retired as Chair of the Committee effective 27 September 2021, and was subsequently re-appointed as a member of the Committee on 23 December 2021. Mary Halton was appointed as Chair of the Committee effective 17 November 2021, and Peter Cross was appointed as a member of the Committee effective 27 September 2021.

The Audit Committee 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.

Nomination and Remuneration Committees

Board appointed Nomination and Remuneration Committees are also in place. As at 31 December 2021, the Chairperson and three non-Executive Directors currently sit on each of the Committees. In addition, an Executive Director (the Chief Executive Officer) also sits on the Remuneration Committee.

There were changes to both the Nomination and Remuneration Committees during the year.

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 senior executive and Board positions.

Joyce Brennan retired as Chair of the Nomination Committee on 27 September 2021, and Paul O’Faherty was appointed as Chair on 03 November 2021. Both Karen Furlong and Dean Holden were appointed as Committee members effective 27 September 2021. John O’Dwyer retired as a member of the Nomination Committee on 31 July 2021. Declan Moran was a member of the Committee for the periods (i) 30 March 2021 to 24 May 2021 inclusive, while holding the position of Acting Chief Executive Officer, and (ii) 01 August 2021 to 27 September 2021 inclusive, as Interim Chief Executive Officer.

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.

Joyce Brennan retired as Chair of the Remuneration Committee on 27 September 2021. Dean Holden was appointed as Chair of the Remuneration Committee on 26 October 2021. In addition, Declan Moran and Karen Furlong were both appointed as members of the Remuneration Committee effective 27 September 2021.

Risk Management and Compliance Committee

The Risk Management and Compliance Committee is comprised of 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.

During the year Peter Cross was appointed as a member of the Committee effective 27 September 2021. Dean Holden and John O’Dwyer retired as members of the Committee on 27 September 2021 and 31 July 2021 respectively.

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 in respect of Vhi Insurance DAC, 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' Report for the Financial Year ended 31 December 2021 continued

Directors' Remuneration

Annual remuneration levels for the Chairperson and each non-Executive Director have been set by the 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 Vhi 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 reasonably foreseeable changes in trading performance. Stress test assessments, strong governance structures in place, satisfactory operating results and capital position during 2021 further contributed to this assessment.

Principal risks and uncertainties

The principal risks and uncertainties of Vhi Board have been determined by assessing potential financial, strategic, operational, clinical, customer value and conduct, and people and culture risks. 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

Ireland operates a community rated health insurance system, where the price for adults over 25 years of age for a selected insurance plan is the same for all policyholders, regardless of age or health status (excluding the effect of group discounts or age of entry loadings). Risk equalisation is a common mechanism in countries with community rated health insurance systems. It 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. The Risk Equalisation Scheme (RES) in Ireland, in the view of Vhi, only partially equalises the significant differences in risk profiles that exist between the competing insurers. It places insurers covering

a disproportionate share of higher health risk policy members at a competitive disadvantage with attendant risks to capital, value and sustainability. Some positive developments are being made to the RES, for example the introduction of the high cost claims pool, and it will be important these continue for the effective sustainable operation of the health insurance market.

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. In addition, the public health service is transferring increasing numbers of patients to private healthcare facilities, leading to the risk of reduced access for private health insurance customers.

c. Risks from medical and general 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. This is exacerbated in an environment where inflation is high generally and product affordability is under pressure. Inflationary pressures, which had already been mounting in the latter half of 2021 due to supply chain problems and a rapid recovery in consumption, are likely to intensify as a consequence of Russia's invasion of Ukraine. Economic sanctions imposed on Russia and disruptions to supply are likely to persist and feed into consumer prices. There is considerable uncertainty over the outlook for inflation and consequent impact on consumer disposable income and spending behaviour.

d. Risks from legislative and regulatory changes

Private medical insurance and associated healthcare service 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 approved by the Board.

f. Insurance/underwriting risk

Vhi is exposed to the risk that its premium pricing or claims reserves may not align to the severity, frequency and timing of claims. Vhi implements and monitors a range of mitigants and controls to reduce uncertainty and reduce the impact of this risk on pricing, reserving and capital. These include close communications with our medical providers and actuarial analysts, as well as the implementation of the Memorandum of Understanding, an agreement with public hospitals facilitating early identification of claims events. Underwriting risk volatility and uncertainty will be affected by the cost and availability of private healthcare and changes in our mix of business.

g. Cyber and data protection risk

Protecting the data of our customers and other stakeholders is of high importance to Vhi. Vhi recognises that cyber criminals continue to become more sophisticated. To some extent the COVID-19 pandemic increases these risks and we have greater dependence on online engagement with customers and colleagues. Vhi invests in IT security and other Data Protection measures to ensure our defences and recovery capabilities are up to date to prevent, manage or recover from cyber-attacks.

h. Clinical risk

In order to manage clinical risk in its health and wellbeing operations Vhi promotes a culture of excellence in patient and customer experience and safety, where our clinicians are trained to specialist standards and our clinical services and facilities are accredited by international accreditation programmes.

Management and monitoring of clinical risk focuses on patient outcomes, patient safety, infection control, medicine management, patient experience feedback and the management of deteriorating patients. The principle of customer care and high standards of clinical quality are paramount as we extend our healthcare services.

i. COVID-19 or other pandemic infections

Vhi continues to actively assess and manage the risks associated with COVID-19 as the pandemic continues to be the most significant driver of uncertainty and volatility for many of our risks. Since 2020, Vhi has taken a number of actions focused on assuring business continuity and care for our customers, staff, healthcare partners and other key stakeholders as well as managing the financial and strategic risks of the pandemic.

We are better prepared to deal with further surges of COVID-19. However, disruptions to public and private healthcare create risks for Vhi beyond claim cost volatility. Public health policy can result in reduced access to private healthcare which threatens the attractiveness and affordability of private medical insurance and the size of the market. Our strategic plans take account of these and other related developments including shifts in the delivery and settings of healthcare caused or accelerated by the pandemic. The pandemic has the capability of disrupting our business environment and change investment programmes.

The cost of COVID-19 treatment and prevention are borne by public health authorities. However, the likelihood of such and similar pandemics is an important risk consideration for our business. Public utilisation of private healthcare facilities increases underwriting risks due to higher uncertainty. These risks include the incidence of pent up demand, disruption to claims development, costs of long-COVID and uncertainty over future treatment costs as healthcare facilities have to accommodate new infection control procedures.

COVID-19 was a significant business disruption risk event resulting in remote working for most staff and more fundamental changes for our front line medical staff. We continue to manage risks to staff safety and wellbeing as a priority as we manage the business through the phases of the pandemic and move to changed ways of working in its aftermath. Whilst the business has adapted to these circumstances there remain changes to the nature of some of our operational risks such as business disruption and system failure recovery.

Directors' Report for the Financial Year ended 31 December 2021 continued

The disruption to health services in public and private hospitals and the travel industry brought about by COVID-19 affected the value of our health and travel insurance propositions. Vhi took a number of steps throughout 2020 and 2021 to ensure customers were treated fairly and we were clear and timely in our communications. We continue to monitor these risks as the pandemic situation evolves and undertake measures to ensure we keep customers at the heart of our business.

j. Other risks

Vhi is also subject to a range of other risks, including operational risk (the risk of human, systems or process failure), people and culture risks (including the risks associated with an increasingly difficult market for staff with key skills), strategic risk (the risk that the incorrect strategy may be adopted by the Board or its execution is unsuccessful) and conduct risk (the risk of unfair customer outcomes). Climate change and sustainability risks are also important for Vhi. The health and wellbeing of our customers and wider communities are core principles of our purpose and strategy.

Environmental matters

Vhi's energy efficiency and decarbonisation programmes are informed by national public sector obligations. The Government Climate Action Plan (November 2021) obliges the public sector, including semi-state bodies, to achieve at least a 51% reduction in carbon dioxide equivalent (CO₂ eq.) emissions by 2030 and a 50% improvement in energy efficiency by 2030.

All public bodies, including semi-state bodies, are required to report detailed energy data on an annual basis using the Sustainable Energy Authority of Ireland (SEAI) online Monitoring & Reporting (M&R) system which is used to track their progress towards 2030. Based on 2020 SEAI's M&R energy reporting, Vhi has improved its energy efficiency by 41.5% since the baseline 2009 year. Based on the SEAI's M&R Gap to Target (GTT) modelling tool, Vhi's additional greenhouse gases (GHG) reductions required by 2030 to achieve the emissions reduction target is 253,412kg CO₂ eq.

Energy saving actions undertaken in 2021, together with existing energy conservation measures, provided estimated total annualised energy savings of 244,780kWh and reduced the environmental impact of energy use by 66,420kg CO₂. Based on forecasted emissions factors for 2030 provided by the SEAI, which accounts for the decarbonisation of the electricity grid, the energy savings in 2021 will reduce the 2030 gap to target by 39,624kg CO₂.

The New Economy and Recovery Authority (NewERA) has designed a Climate Action Framework for commercial semi-state bodies, reflecting the exemplar role they will play in decarbonisation. This framework contains a series of five commitments by companies in relation to their climate action objectives.

By adopting the framework Vhi will enter into each of these commitments as follows:

- **Governance of Climate Action Objectives**

The company's climate action objectives will be integrated into strategic business planning and there will be oversight at Board level, including reporting to the relevant Minister.

- **Reduction Target and Emissions Measurement**

The company will formally adopt the government's emission reduction target for the public sector and the SEAI measurement methodology.

- **Measuring and Valuing Emissions in Investment Appraisals**

The value of emissions will be considered by the company as part of its investment decision making process.

- **Circular Economy and Green Procurement**

The company will promote circular economy measures and green procurement.

- **Climate-Related Disclosures in Financials**

The company will identify a climate-related financial disclosures framework that is relevant and appropriate to the company's activities and sector(s). This framework will be subject to periodic review.

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.

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.

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 the 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 continued to deliver on its ambitious People Strategy for 2020–2025 throughout the course of 2021. 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. Strengthening our culture is a priority for us at Vhi; we have commenced a culture programme to enable us to deliver on this. We value colleague engagement and feedback; 'Voice of Colleague' pulse surveys are carried out regularly so we can measure and evaluate colleague sentiment.

Vhi's Respect at Work and Diversity & Inclusion policies are central pillars of the Group's ongoing respect for employees. The objective of both policies is to ensure our workplace is an environment where each person feels welcomed, safe, treated equally and fairly and the views and opinions of everyone are valued, respected and heard. Colleagues 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 colleagues within Vhi to raise genuine concerns and speak up in confidence about possible improprieties; this policy puts in place

a framework for appropriate and independent investigation and follow-up action. 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.

Similar to other organisations, Vhi experienced an accelerated adoption of flexible and remote work practices as a significant portion of our colleagues worked remotely during the COVID-19 pandemic. As society emerges from the pandemic the expectations of our colleagues and prospective colleagues have changed. The majority want the opportunity to work remotely into the future. To ensure Vhi keeps up with the pace of change associated with future of work practices and colleague expectations the organisation will be moving to a hybrid model of work which incorporates a blend of office based and remote work.

Diversity and inclusion

Vhi's purpose is to help customers live longer, stronger and healthier lives. Vhi believes that to deliver on this, it is essential the people in our organisation reflect the diversity of our customers, patients and wider Irish society. We have a long term Diversity and Inclusion (D&I) strategy that feeds into Vhi's people strategy and as an organisation are committed to creating an inclusive culture where colleagues can be themselves at work and where everyone's views and opinions are listened to, valued, respected, and acted upon.

Diversity extends beyond generation, or gender, it includes diversity of thought, skillsets and experience that a more diverse workforce can bring. Vhi is committed to building a diverse and inclusive working environment that brings out the best in colleagues, supports collaboration and innovation, promotes creativity, helps us to attract and retain the best talent and boosts colleague engagement. As an organisation we are proud to be able to say that '75% of colleagues in Vhi agree that they can be themselves at work' (Vhi Voice of Colleague, June 2021).

Vhi's Diversity and Inclusion plan for 2021 underpins the three pillars of our strategy; Culture of Inclusion, Future of Work, and Developing Our People and the Talent Pipeline, putting it at the very heart of Vhi's strategic ambition. During 2021 Vhi hosted a number of events to raise awareness of D&I including International Women's Day, International Men's Day, Pride Month, World Mental Health Day and other wellbeing events.

Directors' Report for the Financial Year ended 31 December 2021 continued

Furthermore a number of other impactful initiatives were delivered and further developed during the year:

- The Vhi Multicultural Network was established and launched during 2021. Its mission is to build awareness of different cultures and ethnicities that make up Vhi's colleagues and customer base. We have colleagues from 31 different nationalities in Vhi.
- The Women's Network launched in 2020 and was further promoted during 2021. Its mission is to support and empower women in Vhi to optimise their potential, represent Vhi in the business community and serve as a key business resource. Its strategic objectives are to create awareness and understanding of D&I, foster a culture of inclusion and develop our people.
- Colleague health and wellbeing was further promoted and delivered, which was particularly important in the face of lockdowns and remote working. As part of this work, all colleagues were offered a Wellbeing Day (extra day of annual leave) in 2021.
- Building and launching a Women in Leadership development programme that builds transformational leadership and capability.
- Creating and launching a management development programme called Colleague Growth @ Vhi. This programme will be rolled out to all people managers across the Group, providing consistent messaging and training to all our people managers.

The Board is committed to the highest standards of corporate governance, transparency and accountability. Along with the Executive team, the Board recognises that diversity of skill sets, experiences, qualifications, gender and background will help to make Vhi a better place to work, will help to maximise and balance the decision-making process, and will reduce behaviour and culture risks.

Furthermore, the Board recognises the key role that an inclusive culture plays in ensuring that the potential of diversity at Board level is realised.

The Board's Diversity Policy for Board Appointments and Membership has been in place since 2015 and is reviewed annually. The Nomination Committee, on behalf of the Board, reviews Board composition no less than every three

years and recommends the appointment of new directors as appropriate and in line with the Board Skills Matrix, Central Bank guidance as well as the new Annex to the State Code on Equality, Diversity and Inclusion. The Board aims to comprise of a balance of male and female directors from a diverse range of backgrounds with a broad range of relevant skills, expertise and experience. The Board recognises the role of the Minister in appointing members to the Board and will seek to support the Minister with regard to achieving the required minimum 40% representation of each of female and male directors on State Boards. The Board is committed to achieving 40% gender representation on Vhi's subsidiary boards.

We will continue to build on the work that has been completed to date, and in addition, the D&I steering group's plan for 2022, with support from the Executive Team, will focus on three further areas:

- Embed D&I further within the organisation:
 - Fully embed the three D&I networks with dedicated executive sponsorship.
 - Communicate and engage with colleagues more on D&I, what it is, why it's important in the organisation and how colleagues can support a more inclusive culture at Vhi.
- Following on from the dedicated organisational D&I survey in 2018, complete a D&I diagnostic survey to understand how inclusive colleagues think Vhi is with a plan to review, identify gaps and put action plans in place to address any actions or gaps.
- Continue to develop our people and the talent pipeline by continuing with the great efforts made in upskilling colleagues during 2021 and allow more colleagues the opportunity to develop the skills needed to be successful in their current role and prepare them for future roles.

To be truly impactful Diversity and Inclusion needs to be further embedded in, how we work; how we attract, retain and support colleagues; how we design and deliver for our customers and patients; and how we ensure a positive and sustainable future for the Group. Vhi is committed to continuing to deliver on this.

Bribery and corruption

Vhi is 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 Board of Directors in their day to day Vhi business conduct with specific reference to fraud, corruption, bribery and blackmail.

Vhi seeks 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 Board 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 Vhi Board's subsidiaries and other undertakings, as at 31 December 2021, are listed in note 35.

Subsequent events

Note 37 details the subsequent events post 31 December 2021.

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 12 September 2019.

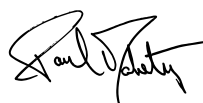
Deloitte have indicated their willingness to continue in office in accordance with section 383(2) of the Companies Act 2014.

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
Chairperson
30 March 2022



Declan Moran
Interim CEO, Director
30 March 2022

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 Standards applicable in the UK and Republic of Ireland ("relevant financial reporting framework"). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Vhi Board as at the financial year end date and of the surplus or deficit of the Vhi 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 Vhi Board will continue in business.

The Directors are responsible for ensuring that the Vhi Board keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the Vhi Board, enable at any time the assets, liabilities, financial position and surplus or deficit of the Vhi 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 Vhi 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 'Vhi 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 2021 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 frameworks 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 Cash Flows;
- the Consolidated Statement of Changes in Equity;
- the Consolidated Statement of Comprehensive Income; and
- the related notes 1 to 39, including a summary of significant accounting policies as set out in note 1.

The parent financial statements:

- the Balance Sheet;
- the Statement of Changes in Equity;
- the Statement of Comprehensive Income; and
- the related notes 1 to 39, 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent auditor's report to the members of The Voluntary Health Insurance Board continued

Other information

The other information comprises the information included in the Directors' Report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Directors' Report and financial statements. 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.

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 Vhi 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 Vhi 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 Vhi 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 Vhi 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.

Report on other legal and regulatory requirements

Matters on which we are required to report by exception

Based on the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

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.

Use of our report

Our audit work has been undertaken so that we might state to the Vhi 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 Vhi Board and the Vhi Board's members as a body, for our audit work, for this report, or for the opinions we have formed.

Eimear McCarthy

For and on behalf of Deloitte Ireland LLP
Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House, Earlsfort Terrace, Dublin 2
Date: 1 April 2022

Notes: An audit does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the financial statements since first published. These matters are the responsibility of the directors but no control procedures can provide absolute assurance in this area.

Legislation in Ireland governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

Consolidated Income and Expenditure account for the financial year ended 31 December 2021

	Notes	2021 €'m	2020 €'m
Technical Account			
Earned Premium, net of Reinsurance			
Gross written premiums	2	1,594.4	1,532.9
Change in gross provision for unearned premiums and unexpired risks	2,22	(5.5)	(26.5)
Earned Premium, net of reinsurance		1,588.9	1,506.4
Allocated investment return transferred from the non-technical account		(9.1)	(2.1)
Other technical income, net of reinsurance	4,5	76.4	74.2
Total Technical Income		1,656.2	1,578.5
Claims incurred, net of reinsurance			
Claims paid – gross amount	2	(1,294.6)	(1,147.0)
Claims paid – reinsurer's share		(0.6)	1.1
Change in the provision for claims – gross amount	2,22	0.4	40.1
Change in the provision for claims – reinsurer's share	22	(3.8)	(4.9)
		(1,298.6)	(1,110.7)
Customer return of value	9,26	(142.2)	(264.5)
Net operating expenses	2,7	(129.1)	(132.8)
Balance on the technical account		86.3	70.5
Non-Technical Account			
Balance on the technical account		86.3	70.5
Net investment return	10	(9.1)	(2.1)
Allocated investment return transferred to the insurance technical account		9.1	2.1
		86.3	70.5
Other income	11	26.2	28.6
Other expenses	12	(37.0)	(37.3)
Surplus on ordinary activities before tax	27	75.5	61.8
Tax on surplus on ordinary activities	13	(10.2)	(9.1)
Surplus on ordinary activities after tax	14	65.3	52.7

The notes on pages 45 to 73 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 30 March 2022.

Consolidated Balance Sheet as at 31 December 2021

	Notes	2021 €'m	2020 €'m
Assets			
Investments			
Land held under finance lease	15	1.0	1.0
Land and buildings	16	80.6	67.6
Other financial investments	17	1,282.5	1,186.6
		1,364.1	1,255.2
Reinsurer's share of technical provisions			
Claims outstanding	22	8.7	12.5
		8.7	12.5
Debtors			
Debtors arising out of insurance operations	33	516.6	484.6
Other debtors	18	364.1	360.9
		880.7	845.5
Other assets			
Intangible assets	20	0.6	0.5
Tangible fixed assets	21	14.6	18.3
Cash at bank and in hand	28	49.5	63.3
Deferred tax asset	19	2.6	3.2
		67.3	85.3
Prepayments and accrued income			
Deferred acquisition costs	24	6.3	5.1
Other prepayments and accrued income		10.0	6.4
		16.3	11.5
Total Assets		2,337.1	2,210.0

Consolidated Balance Sheet as at 31 December 2021

continued

	Notes	2021 €'m	2020 €'m
Equity and Liabilities			
Capital and reserves			
General reserve		773.3	701.2
Comprehensive income		85.6	72.1
Shareholder's funds		858.9	773.3
Technical provisions			
Provision for unearned premium and unexpired risks	6,22	565.9	560.4
Claims outstanding	22,33,34	401.4	401.8
		967.3	962.2
Funds withheld for Reinsurer	23,34	8.7	12.5
Creditors			
Creditors arising out of direct insurance operations		68.0	58.2
Other creditors and accruals	25	264.1	276.6
Other provisions	26	158.3	89.7
		490.4	424.5
Retirement benefit liability	31	11.8	37.5
Total Liabilities and Shareholder's Equity		2,337.1	2,210.0

The notes on pages 45 to 73 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 30 March 2022.

They were signed on its behalf by:



Paul O'Faherty
Chairperson
30 March 2022



Declan Moran
Interim CEO, Director
30 March 2022

Vhi Board Balance Sheet as at 31 December 2021

	Notes	2021 €'m	2020 €'m
Assets			
Other financial investments			
Investment in subsidiaries	17	479.7	479.7
		479.7	479.7
Debtors: Amounts falling due in 1 year		0.2	0.2
Total Assets		479.9	479.9
Equity and Liabilities			
Capital and reserves			
General reserve		442.4	424.3
Comprehensive income		25.7	18.1
Shareholder's funds		468.1	442.4
Other creditors and accruals		-	-
Retirement benefit liability	31	11.8	37.5
Total Liabilities and Shareholder's Equity		479.9	479.9

The notes on pages 45 to 73 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 30 March 2022.

They were signed on its behalf by:



Paul O'Faherty

Chairperson

30 March 2022



Declan Moran

Interim CEO, Director

30 March 2022

Consolidated Statement of Cash Flows for the financial year ended 31 December 2021

	Notes	2021 €'m	2020 €'m
Net cash from operating activities	27	115.0	129.0
Cash flows from investing activities:			
(Purchase) of property		(16.4)	-
(Purchase) of equipment		(5.4)	(1.7)
Investment and dividend income received		12.4	13.8
Net (purchase)/sale of portfolio investments		(119.4)	(176.0)
Net cash flows from investing activities		(128.8)	(163.9)
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		(13.8)	(34.9)
Cash at bank and in hand at beginning of financial year		63.3	98.2
Cash at bank and in hand at end of financial year		49.5	63.3

Vhi Board Statement of Cash Flows for the financial year ended 31 December 2021

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 2021

	Total €'m
At 31 December 2019	701.2
Surplus for the financial year	52.7
Remeasurement of actuarial surplus/(deficit) on pension fund liability	19.4
At 31 December 2020	773.3
Surplus for the financial year	65.3
Remeasurement of actuarial surplus/(deficit) on pension fund liability	20.3
At 31 December 2021	858.9

Consolidated Statement of Comprehensive Income for the financial year ended 31 December 2021

	2021 €'m	2020 €'m
Surplus for the financial year	65.3	52.7
Remeasurement of actuarial surplus/(deficit) on pension fund liability	20.3	19.4
Total	85.6	72.1

Vhi Board Statement of Changes in Equity as at 31 December 2021

	Total €'m
At 31 December 2019	424.3
(Deficit) for the financial year	(1.3)
Remeasurement of actuarial surplus/(deficit) on pension fund liability	19.4
At 31 December 2020	442.4
Surplus for the financial year	5.4
Remeasurement of actuarial surplus/(deficit) on pension fund liability	20.3
At 31 December 2021	468.1

Vhi Board Statement of Comprehensive Income for the financial year ended 31 December 2021

	2021 €'m	2020 €'m
Surplus/(deficit) for the financial year	5.4	(1.3)
Remeasurement of actuarial surplus/(deficit) on pension fund liability	20.3	19.4
Total	25.7	18.1

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

Statement of compliance

The financial statements of Vhi Board for the financial year ended 31 December 2021 have been prepared in accordance with the provisions of Financial Reporting Standard 102 (FRS 102), Financial Reporting Standard 103 (FRS 103) and the Companies Act 2014.

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 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 Vhi 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.

In preparing financial statements, the Vhi Board may depart in specific instances from the formats adopted in preparing a balance sheet or profit and loss account as laid out in the European Union (Insurance Undertakings: Financial Statements) Regulations 2015. In these financial statements, an amendment to the prescribed format was necessary to ensure that more appropriate language is used to accurately describe the customer return of value transaction.

The Directors have a reasonable expectation that the Vhi 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 Vhi 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 customers 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 estimation of claims liabilities is subject to inherent uncertainty. A margin for uncertainty is included to reduce the risk that insufficient provisions are set aside. It is intended that the provision should be sufficient in reasonably foreseeable adverse circumstances.

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.

Notes to the financial statements continued

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.

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 Vhi 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 Vhi 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 Vhi 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 Vhi 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 Vhi Board transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Vhi 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.

Notes to the financial statements continued

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 Vhi 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 Vhi Board estimates the non-market observable inputs used in its valuation models.

Investment in Subsidiaries

Investments in subsidiary companies are recognised at cost. At each year end, a review is performed to determine whether there is any indication of impairment. If impaired, investments in subsidiary companies are recorded at their recoverable amount.

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.

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

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 Vhi 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.

Notes to the financial statements continued

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:

	2021 €m	2020 €m
Gross written premium	1,594.4	1,532.9
Change in provision for unearned premium and unexpired risks (note 22)	(5.5)	(26.5)
Gross earned premium	1,588.9	1,506.4
Other technical income gross (note 5)	72.9	71.1
Claims paid – gross amount	(1,294.6)	(1,147.0)
Change in the provision for claims – gross amount (note 22)	0.4	40.1
Gross claims incurred	(1,294.2)	(1,106.9)
Operating expenses	(129.1)	(132.8)
Reinsurance (deficit)/surplus	(0.9)	(0.8)

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

	2021 €m	2020 €m
Risk Equalisation Scheme - gross (note 5)	72.9	71.1
Reinsurance commissions*	3.5	3.1
	76.4	74.2

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

5. Risk equalisation scheme

	2021 €m	2020 €m
Risk Equalisation Credits	489.4	475.3
Health Insurance Levy	(416.5)	(404.2)
	72.9	71.1

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.

6. Unexpired risks

Each year the Directors assess whether the Vhi 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 2021 is €0.0m (2020: €22.9m).

7. Net operating expenses

	2021 €'m	2020 €'m
Acquisition costs	16.2	16.2
Change in acquisition costs	0.6	(0.3)
Administration expenses	112.3	116.9
Net operating expenses	129.1	132.8

8. Employment benefits and directors remuneration

	2021 €'m	2020 €'m
Emoluments		
Aggregate emoluments paid by Vhi to directors	1.4	1.2
Contribution to defined contribution pension schemes	0.1	0.1
	1.5	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.

	2021	2020
The average monthly number of people employed during the financial year (including directors) was as follows:	1,491	1,455

	2021 €'m	2020 €'m
Staff costs were:		
Wages and salaries	98.2	95.6
Social security costs	11.2	10.0
Other retirement benefit costs	14.0	13.9
Other compensation costs	6.3	5.5
	129.7	125.0

The Chief Executive Officer retired on 31 July 2021, the total remuneration, including pension contribution, paid and included in net operating expenses in the year to 31 July 2021 was €387,820 (2020: €337,500).

An Interim Chief Executive Officer was appointed effective 01 August 2021, the total remuneration, including pension contribution, paid and included in net operating expenses for the period 01 August 2021 to 31 December 2021 was €136,471.

Notes to the financial statements continued

9. Customer return of value

	2021 €'m	2020 €'m
Customer return of value	142.2	264.5
	142.2	264.5

Vhi customers' access to healthcare continued to be materially adversely impacted by the COVID-19 pandemic during 2021. During 2020 Vhi implemented a programme to return value to customers, including returning premium of an average of 50% for a 3 month period from mid-May until mid-August and an announcement on 7th December, 2020 of payment of €75 and €25 to adult and child members, respectively, commencing during January 2021. Additional value is set to be returned to customers during 2022 as Vhi continues to commit to our promise to not profit from the global pandemic.

10. Net investment return

	2021 €'m				
	Investment income	Investment expense	Realised gains and (losses)	Changes in fair value	Net investment return
Corporate bonds	1.5	(0.8)	1.2	(3.0)	(1.1)
Government bonds	(1.5)	(0.4)	(0.6)	(1.1)	(3.6)
Collective investments	-	(0.3)	(0.7)	(0.1)	(1.1)
Other investments	-	-	(0.7)	(2.6)	(3.3)
	-	(1.5)	(0.8)	(6.8)	(9.1)

	2020 €'m				
	Investment income	Investment expense	Realised gains and (losses)	Changes in fair value	Net investment return
Corporate bonds	2.1	(0.8)	0.3	2.1	3.7
Government bonds	(0.5)	(0.3)	0.4	0.3	(0.1)
Collective investments	-	(0.2)	(0.7)	-	(0.9)
Other investments	-	-	0.3	(5.1)	(4.8)
	1.6	(1.3)	0.3	(2.7)	(2.1)

11. Other income

Other income includes income generated by subsidiary companies.

	2021 €'m	2020 €'m
Commission income	18.0	21.6
Other income	8.2	7.0
	26.2	28.6

12. Other expenses

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

	2021 €'m	2020 €'m
Expenses from the provision of health services	37.0	37.3
	37.0	37.3

13. Tax

	2021 €'m	2020 €'m
The tax charge in the income and expenditure account comprises:		
Current tax for year	9.7	10.1
Deferred tax (credit)	0.5	(1.0)
	10.2	9.1

Factors affecting the current tax charge for the financial year:

The differences are explained below:

	2021 €'m	2020 €'m
Surplus on ordinary activities before tax	75.5	61.8
Surplus on ordinary activities multiplied by standard rate of corporation tax of 12.5% (2020: 12.5%)	9.4	7.7
Effects of:		
Expenses not allowed for tax purposes	(1.0)	0.7
Capital allowances in excess of depreciation for financial year	0.1	0.3
Income at higher rate	(0.4)	-
Non-taxable items	-	(0.4)
Movement in expenses deductible when paid in respect of prior periods	1.1	0.8
Other adjustments	0.5	1.0
Current tax for financial year	9.7	10.1

Notes to the financial statements continued

14. 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.

	2021 €'m	2020 €'m
Auditors remuneration		
Audit of individual company financial statements	0.3	0.2
Other assurance services	0.1	0.1
Other non-audit services	-	-
	0.4	0.3

15. Land held under finance lease

	2021 €'m	2020 €'m
Land held under finance lease	1.0	1.0

During 2019, 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.

16. Land and Buildings

	2021 €'m	2020 €'m
Valuation		
At 1 January	67.6	72.1
Additions	0.2	-
Work in progress	16.2	-
Disposals	-	-
(Loss)/gain on revaluation	(3.4)	(4.5)
At 31 December	80.6	67.6

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 2021 at open market value in accordance with Royal Institute of Chartered Surveyors (RICS) appraisal and valuation standards.

17. Other financial investments

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

	2021 €'m	2020 €'m
Consolidated		
i) financial assets at fair value		
Corporate bonds	652.6	618.7
Government bonds	382.9	296.3
Collective investments	245.8	270.7
Other unquoted investments	-	-
Derivatives	1.3	0.4
i) financial liabilities at fair value		
Derivatives	(0.4)	(0.4)
ii) at cost		
Deposits in banks	0.3	0.9
	1,282.5	1,186.6
Vhi Board		
i) at cost		
Investment in subsidiaries	479.7	479.7
	479.7	479.7

18. Other debtors

	2021 €'m	2020 €'m
Amounts falling due within one year:		
Risk equalisation scheme	326.5	322.5
Other debtors	37.4	38.2
	363.9	360.7
Amounts falling due after one year:		
Other debtors	0.2	0.2
	364.1	360.9

The Risk Equalisation Scheme debtor includes the unexpired portion of the Health Insurance Levy which amounted to €144.7m (2020: €139.6m).

Notes to the financial statements continued

19. Deferred tax asset

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

	2021 €'m	2020 €'m
Other timing differences	-	0.5
Expenses deductible when paid	2.6	2.5
Losses carried forward	-	0.2
Total deferred tax asset	2.6	3.2

20. Intangible assets

	Software €'m	Total €'m
Cost:		
Balance at 1 January 2021	70.9	70.9
Additions	-	-
Retirements	(1.0)	(1.1)
Balance at 31 December 2021	69.9	69.9
Amortisation		
Balance at 1 January 2021	(70.4)	(70.4)
Charge for the year	-	-
Retirements	1.1	1.1
Balance at 31 December 2021	(69.3)	(69.3)
Net book value:		
At 31 December 2021	0.6	0.6
At 31 December 2020	0.5	0.5

	Software €'m	Total €'m
Cost:		
Balance at 1 January 2020	70.5	70.5
Additions	0.4	0.4
Retirements	-	-
Balance at 31 December 2020	70.9	70.9
Amortisation:		
Balance at 1 January 2020	(66.0)	(66.0)
Charge for the year	(4.4)	(4.4)
Retirements	-	-
Balance at 31 December 2020	(70.4)	(70.4)
Net book value:		
At 31 December 2020	0.5	0.5
At 31 December 2019	4.5	4.5

21. Tangible assets

	Motor vehicles €'m	Fixtures, furnishings and fittings €'m	Computer/office equipment €'m	Medical equipment €'m	Total €'m
Cost:					
Balance at 1 January 2021	3.2	27.1	33.8	0.6	64.7
Additions	-	3.0	1.0	1.7	5.7
Disposals	(0.3)	-	-	-	(0.3)
Balance at 31 December 2021	2.9	30.1	34.8	2.3	70.1
Depreciation:					
Balance at 1 January 2021	(2.6)	(19.9)	(23.3)	(0.6)	(46.4)
Charge for the year	(0.4)	(3.3)	(5.7)	-	(9.4)
Disposals	0.3	-	-	-	0.3
Balance at 31 December 2021	(2.7)	(23.2)	(29.0)	(0.6)	(55.5)
Net book value:					
At 31 December 2021	0.2	6.9	5.8	1.7	14.6
At 31 December 2020	0.6	7.2	10.5	-	18.3

	Motor vehicles €'m	Fixtures, furnishings and fittings €'m	Computer/office equipment €'m	Medical equipment €'m	Total €'m
Cost:					
Balance at 1 January 2020	3.6	26.8	32.5	0.6	63.5
Additions	0.1	0.3	1.3	-	1.7
Disposals	(0.5)	-	-	-	(0.5)
Balance at 31 December 2020	3.2	27.1	33.8	0.6	64.7
Depreciation:					
Balance at 1 January 2020	(2.5)	(16.6)	(20.6)	(0.6)	(40.3)
Charge for the year	(0.5)	(3.3)	(2.7)	-	(6.5)
Disposals	0.4	-	-	-	0.4
Balance at 31 December 2020	(2.6)	(19.9)	(23.3)	(0.6)	(46.4)
Net book value:					
At 31 December 2020	0.6	7.2	10.5	-	18.3
At 31 December 2019	1.1	10.2	11.9	-	23.2

Notes to the financial statements continued

22. Technical provisions

	Provision for Unearned Premium and Unexpired Risks €'m	Claims Outstanding €'m	Total €'m
Gross Amount			
As at 31 December 2020	(560.4)	(401.8)	(962.2)
Movement in provision* (note 2)	(5.5)	0.4	(5.1)
As at 31 December 2021	(565.9)	(401.4)	(967.3)
Reinsurance Amount**			
As at 31 December 2020	-	12.5	12.5
Movement in provision	-	(3.8)	(3.8)
As at 31 December 2021	-	8.7	8.7
Net Technical Provision			
As at 31 December 2021	(565.9)	(392.7)	(958.6)
As at 31 December 2020	(560.4)	(389.3)	(949.7)

	Provision for Unearned Premium and Unexpired Risks €'m	Claims Outstanding €'m	Total €'m
Gross Amount			
As at 31 December 2019	(533.9)	(441.9)	(975.8)
Movement in provision*	(26.5)	40.1	13.6
As at 31 December 2020	(560.4)	(401.8)	(962.2)
Reinsurance Amount**			
As at 31 December 2019	-	17.4	17.4
Movement in provision	-	(4.9)	(4.9)
As at 31 December 2020	-	12.5	12.5
Net Technical Provision			
As at 31 December 2020	(560.4)	(389.3)	(949.7)
As at 31 December 2019	(533.9)	(424.5)	(958.4)

* Change in provisions for unearned premium and unexpired risks relates to business performance during 2021 and the impact of price adjustments during 2020.

** 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.

23. 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.

	2021 €'m	2020 €'m
Funds withheld from reinsurer	8.7	12.5
	8.7	12.5

24. Deferred acquisition costs

Acquisition costs are expensed as the premiums to which they relate are earned. The amount of €6.3m provided for 2021 (2020: €5.1m) is in respect of costs incurred during the financial year which are directly attributable to the acquisition of new business. All other acquisition costs are recognised as an expense when incurred.

25. Other creditors and accruals due within one year

	2021 €'m	2020 €'m
Risk Equalisation Scheme	183.4	191.2
Other creditors	44.8	50.4
Accruals	35.9	35.0
	264.1	276.6

The Risk Equalisation Scheme creditor includes the value of the provision for unearned premium credits at the year ended 31 December 2021 of €119.8m (2020: €130.0m).

26. Other provisions

	Customer return of value €'m	Other €'m	Total €'m
At 1 January 2021	77.0	12.7	89.7
Additional provisions during the year	142.2	3.4	145.6
Provisions utilised during the year	(74.8)	(2.2)	(77.0)
At 31 December 2021	144.4	13.9	158.3

During 2020, a provision was created amounting to €77.0m associated with the further return of value to all Vhi private health insurance customers. An announcement was made on the 7th December, 2020 of payment of €75 and €25 to adult and child members, respectively, commencing during January 2021. An additional customer return of value provision of €142.2m was made during 2021, with value set to be returned to customers during 2022, as Vhi continues to commit to our promise to not profit from the global pandemic.

Other provisions relate principally to committed Group restructuring and risk mitigation costs in accordance with Vhi's strategy and commercial contracts. The timing of cash flows or release of these provisions will occur in accordance with delivery of Vhi's strategic plan and is not expected to give rise to material losses beyond the amounts provided as at 31 December 2021.

Notes to the financial statements continued

27. Notes to the cash flow statement

	2021 €'m	2020 €'m
Surplus on ordinary activities before tax	75.5	61.8
Add back depreciation	9.3	6.1
Add back amortisation	-	4.5
Defined benefit pension contributions in excess of charge	(0.8)	1.5
Investment loss/(gain)	9.1	2.1
Operating cash flows before movements in working capital	93.1	76.0
(Increase)/decrease in deferred acquisition costs	(1.2)	(0.1)
Increase/(decrease) in insurance contract liabilities	9.5	(22.1)
Increase/(decrease) in provision for unearned premium	5.5	26.5
(Increase)/decrease in receivables	(38.3)	(38.2)
Increase/(decrease) in payables	56.1	96.0
Working capital movements	31.6	62.1
Cash generated by operations	124.7	138.1
Income taxes paid	(9.7)	(9.1)
Net cash flows from operating activities	115.0	129.0

28. Analysis of changes in net cash/(debt)

	At 1 Jan 2021 €'m	Cash flows €'m	Other non-cash changes	At 31 Dec 2021 €'m
Cash and cash equivalents				
Cash	63.3	(13.8)	-	49.5
Overdrafts	-	-	-	-
Cash Equivalents	-	-	-	-
	63.3	(13.8)	-	49.5
Borrowings				
Debt due within one year	-	-	-	-
Debt due after one year	-	-	-	-
	-	-	-	-
Total	63.3	(13.8)	-	49.5

29. Capital commitments

	2021 €'m	2020 €'m
Capital expenditure contracted for	0.4	0.4

30. Prompt payment of accounts

Payments made during 2021 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.

31. Retirement benefit schemes

The Vhi Board operates a defined contribution retirement plan open to eligible employees. The assets of this plan are held separately from those of the Vhi 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 Vhi 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 2021 amounted to €14.9m (2020: €8.8m).

The values used in this disclosure are based on the most recent actuarial funding valuations, carried out at 31 December 2020. The funding valuation results were projected forward to 31 December 2021 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:	2021 %	2020 %
Rate of increase in salaries	2.25	1.95
Rate of increase in pensions in payment	1.70	1.30
Discount rate	1.55	1.30
Revaluation	1.70	1.30
Inflation assumption	2.25	1.35

(ii) Long-term expected rates of return at financial year end are:	2021 %	2020 %
Equities	1.55	1.30
Fixed interest	1.55	1.30
Property	1.55	1.30
Other	1.55	1.30

Notes to the financial statements continued

31. Retirement benefit schemes continued

(iii) Weighted average life expectancy for mortality tables used to determine benefit obligations at	2021	2020
Member age 65 (current life expectancy)	24.7	24.5
Member age 40 (life expectancy at age 65)	26.9	26.7

(iv) The assets in the pension scheme at market value were:	2021 €'m	2020 €'m
Equities	97.5	87.1
Fixed interest	22.6	13.0
Property	23.7	16.6
Non-sovereign bonds	13.9	13.6
Cash	1.2	7.1
Inflation-linked bonds	162.8	147.8
Other	83.5	69.9
Total market value of assets	405.2	355.1
Present value of scheme liabilities	(418.7)	(398.0)
Deficit in the scheme	(13.5)	(42.9)
Related deferred tax asset	1.7	5.4
Net retirement benefit liability	(11.8)	(37.5)

(v) Income and expenditure account	2021 €'m	2020 €'m
Charged to net operating expenses		
Retirement benefits		
Current service cost	(8.6)	(9.0)
Death in service cost	(0.4)	(0.4)
	(9.0)	(9.4)
Other retirement benefits		
Charge to income & expenditure	(9.0)	(9.4)
Interest in scheme liabilities	(5.1)	(5.3)
Expected return on scheme assets	4.7	4.5
Past service cost	-	-
Net change in operating result	(9.4)	(10.2)

31. Retirement benefit schemes continued

(vi) Statement of comprehensive income	2021 €'m	2020 €'m
Actual return less expected return on scheme assets	39.9	25.0
Experience gains and losses on scheme liabilities	(1.9)	4.4
Changes in financial assumptions	(14.0)	(7.5)
Remeasurement of actuarial surplus/(deficit) on pension fund liability	24.0	21.9
Movement on deferred tax	(3.7)	(2.5)
Total remeasurement of actuarial surplus/(deficit) on pension fund liability	20.3	19.4

(vii) Movement in net deficit during the financial year	2021 €'m	2020 €'m
Net deficit in scheme at start of year	(37.5)	(55.6)
Current service cost	(8.6)	(9.0)
Death in service cost	(0.4)	(0.4)
Past service cost	-	-
Contributions	14.9	8.8
Interest on scheme liabilities	(5.1)	(5.3)
Expected return on scheme assets	4.7	4.5
Remeasurement of actuarial surplus/(deficit) on pension fund liability	23.9	22.0
Movement in deferred tax	(3.7)	(2.5)
Net deficit at end of financial year	(11.8)	(37.5)

(viii) History of experience gains and losses	Year ended Dec 2021	Year ended Dec 2020	Year ended Dec 2019	Year ended Dec 2018	Year ended Dec 2017	Year ended Dec 2016
Difference between expected and actual return on assets % of scheme assets	39.9 10%	25.0 7%	28.7 9%	(13.5) (5%)	11.2 4%	10.8 5%
Experience (losses) and gains on scheme liabilities % of scheme liabilities	(1.9) (4%)	4.4 (1%)	0.1 0%	2.1 1%	(3.8) (1%)	(2.1) (1%)
Total (increase)/decrease in actuarial surplus/(deficit) % of scheme liabilities	23.9 6%	22.0 6%	(22.7) (6%)	(17.6) (5%)	(24.3) (8%)	(22.2) (9%)

(ix) Recognised within the Balance Sheet:	2021 €'m	2020 €'m
Net deficit as at 31 December	(11.8)	(37.5)

Notes to the financial statements continued

31. Retirement benefit schemes continued

(x) Movement in group assets and liabilities:	2021 €'m	2020 €'m
Assets		
Assets in scheme at 1 January	355.1	321.7
Return on scheme assets (excluding interest income)	39.9	25.0
Employer contributions	14.9	8.8
Employee contributions	2.4	2.4
Interest on scheme assets	4.7	4.5
Insurance premiums for risk benefits	(0.4)	(0.4)
Benefits paid	(11.4)	(6.9)
Assets in scheme at 31 December	405.2	355.1
Liabilities		
Liabilities in scheme at 1 January	398.0	385.2
Experience gains and losses on scheme liabilities	1.9	(4.4)
Changes in assumptions	14.1	7.4
Current service cost	8.6	9.0
Death in service cost	0.4	0.4
Employee contributions	2.4	2.4
Interest on scheme liabilities	5.1	5.3
Insurance premiums for risk benefits	(0.4)	(0.4)
Benefits paid	(11.4)	(6.9)
Liabilities in scheme at 31 December	418.7	398.0

32. 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 2021.

Vhi Insurance DAC declared and paid dividends of €20.0m and €30.0m to its parent, Vhi Group DAC during 2021. Vhi Healthcare DAC also declared and paid a dividend of €25.0m to its parent, Vhi Group DAC during 2021.

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

	€'m
Capital resources at 1 January 2020	701.2
Surplus for the financial year	52.7
Remeasurement of actuarial surplus/(deficit) on pension fund liability	19.4
Capital resources at 31 December 2020	773.3
Surplus for the financial year	65.3
Remeasurement of actuarial surplus/(deficit) on pension fund liability	20.3
Capital resources at 31 December 2021	858.9

33. 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 Vhi 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.

The table below shows financial assets carried at fair value through the income and expenditure account (as disclosed in note 17) that are measured at fair value:

	2021 €m			
	Level 1	Level 2	Level 3	Total
Corporate bonds	-	652.7	-	652.7
Government bonds	-	382.9	-	382.9
Collective investments	-	245.8	-	245.8
Other investments	0.8	0.3	-	1.1
Financial investments at fair value	0.8	1,281.7	-	1,282.5

	2020 €m			
	Level 1	Level 2	Level 3	Total
Corporate bonds	-	618.7	-	618.7
Government bonds	-	296.3	-	296.3
Collective investments	-	270.7	-	270.7
Other investments	-	0.9	-	0.9
Financial investments at fair value	-	1,186.6	-	1,186.6

Notes to the financial statements continued

33. Financial risk management continued

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 Vhi 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.

Market risk has remained within risk appetite throughout the year. There were no significant changes to the objectives, or policies and processes for managing market risk.

i. Foreign currency risk management

The Vhi 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 Vhi Board's investment in fixed interest government and corporate bonds. The risk is managed by the Vhi 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 Vhi Board diversifies its fixed interest investments by issuer and type to ensure it has no significant concentration of interest rate risk at the balance sheet date.

The sensitivity 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	
	2021 €m	2020 €m	2021 €m	2020 €m
Increase in interest rates	(25.8)	(20.3)	(22.6)	(17.8)
Decrease in interest rates	0.6	0.1	0.5	0.1

The Vhi Board's sensitivity to interest rate changes has increased compared to the prior year due to the increased size of the total portfolio, and an increased allocation to corporate and government bonds which are more sensitive to interest rate risk.

33. Financial risk management continued

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 Vhi Board has no significant concentration of price risk. The risk is managed by the Vhi 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:

	2021 €'m	2020 €'m
0.5% increase		
Movement in the fair value of debt securities and other fixed income securities	6.4	5.9
0.5% decrease		
Movement in the fair value of debt securities and other fixed income securities	(6.4)	(5.9)

For all other financial instruments held at 31 December 2021 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 Vhi 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 Vhi Board has limited exposure to below investment grade securities.

The group's exposure and the credit ratings of its counterparties are continuously monitored. The group monitors the credit risk in relation to its investment portfolio and reinsurance programme by monitoring external credit ratings for the investment assets held by the group on a monthly basis. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Risk Management and Compliance Committee annually. Our reinsurance contract is on a funds withheld basis which mitigates the counterparty risk with this counterparty.

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

The Vhi Board's reinsurer has a credit rating of AA. The Vhi Board has 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 Vhi 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.

Notes to the financial statements continued

33. Financial risk management continued

The following table shows aggregated credit risk exposure for assets in respect of external credit ratings, where available, for Vhi Board:

2021 €m	AAA < AA-	A+ < BBB	< BBB	Not Rated	Carrying Amount
Financial assets:					
Corporate bonds	71.3	558.0	23.4	-	652.7
Government bonds	196.8	186.1	-	-	382.9
Collective investments	145.9	99.9	-	-	245.8
Deposits in banks	-	0.3	-	-	0.3
Other investments	-	0.8	-	-	0.8
Total financial investments	414.0	845.1	23.4	-	1,282.5
Other assets:					
Cash at hand and in bank	0.4	49.1	-	-	49.5
Reinsurance assets	-	-	-	-	-
Insurance receivables	-	-	-	516.6	516.6
Other debtors	-	-	-	364.2	364.2
Total financial assets	414.4	894.2	23.4	880.8	2,212.8

2020 €m	AAA < AA-	A+ < BBB	< BBB	Not Rated	Carrying Amount
Financial assets:					
Corporate bonds	53.0	529.2	36.5	-	618.7
Government bonds	122.0	172.1	2.2	-	296.3
Collective investments	176.9	93.8	-	-	270.7
Deposits in banks	(0.3)	1.1	-	-	0.8
Other investments	0.1	-	-	-	0.1
Total financial investments	351.7	796.2	38.7	-	1,186.6
Other assets:					
Cash at hand and in bank	0.2	63.1	-	-	63.3
Reinsurance assets	-	-	-	-	-
Insurance receivables	-	-	-	484.6	484.6
Other debtors	-	-	-	360.9	360.9
Total financial assets	351.9	859.3	38.7	845.5	2,095.4

The Vhi 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.

33. Financial risk management continued

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

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
2021	504.6	5.6	6.4	-	-	-	516.6
2020	465.1	10.7	8.8	-	-	-	484.6

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.

	2021 €'m					Total
	Less than 1 month	1–3 months	3 months to 1 year	1–5 years	5+ years	
Insurance contract liabilities	116.9	118.0	134.4	31.9	0.2	401.4
Trade and other liabilities	90.2	189.4	52.5	-	-	332.1

	2020 €'m					Total
	Less than 1 month	1–3 months	3 months to 1 year	1–5 years	5+ years	
Insurance contract liabilities	116.6	118.2	133.8	33.0	0.2	401.8
Trade and other liabilities	82.3	196.4	56.1	-	-	334.8

Notes to the financial statements continued

34. Insurance risk management

Assumptions and sensitivities

The risks associated with the health insurance contracts are subject to a number of variables. The Vhi 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. For each sensitivity the impact of a change in a single factor is shown with other assumptions unchanged.

	Pre-tax Surplus		Shareholder's equity	
	2021 €'m	2020 €'m	2021 €'m	2020 €'m
5% increase in loss ratios	(79.6)	(75.5)	(69.7)	(66.1)
5% decrease in loss ratios	79.6	75.5	69.7	66.1

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

34. Insurance risk management

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 2021 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	2020 €'m	2021 €'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	1,183.0	1,392.9	
One year later	1,326.1	1,334.6	1,365.5	1,338.1	1,337.2	1,407.7	1,086.3		
Two years later	1,304.4	1,307.3	1,340.4	1,312.8	1,323.2	1,393.0			
Three years later	1,296.6	1,295.9	1,331.8	1,309.0	1,316.7				
Four years later	1,290.4	1,290.5	1,330.6	1,305.9					
Five years later	1,286.2	1,289.4	1,328.4						
Six years later	1,282.4	1,285.1							
Seven years later	1,279.9								
Current estimate of ultimate claims	1,279.9	1,285.1	1,328.4	1,305.9	1,316.7	1,393.0	1,086.3	1,392.9	
Cumulative payments	1,278.4	1,282.5	1,317.2	1,296.2	1,312.4	1,377.3	1,050.7	1,073.2	
In balance sheet	1.5	2.6	11.2	9.7	4.3	15.7	35.6	319.7	400.3
Provision for prior Accident Years (2014 & Prior)									1.1
Liability in balance sheet									401.4

Analysis of claims development – Net of Reinsurance

	2014 €'m	2015 €'m	2016 €'m	2017 €'m	2018 €'m	2019 €'m	2020 €'m	2021 €'m	Total €'m
Estimate of ultimate claims:									
End of accident year	605.9	1,028.6	1,047.4	1,051.7	1,439.5	1,487.1	1,183.0	1,392.9	
One year later	532.7	935.1	956.9	937.6	1,337.2	1,407.7	1,086.3		
Two years later	522.6	915.5	938.6	919.1	1,323.2	1,393.0			
Three years later	519.2	907.3	932.4	916.4	1,316.7				
Four years later	516.5	903.4	931.6	914.2					
Five years later	514.6	902.6	930.0						
Six years later	513.0	899.6							
Seven years later	512.0								
Current estimate of ultimate claims	512.0	899.6	930.0	914.2	1,316.7	1,393.0	1,086.3	1,392.9	
Cumulative payments	511.3	897.7	922.0	907.4	1,312.4	1,377.3	1,050.7	1,073.2	
In balance sheet	0.7	1.9	8.0	6.8	4.3	15.7	35.6	319.7	392.7
Provision for prior Accident Years (2014 & Prior)									0.0
Liability in balance sheet									392.7

Notes to the financial statements continued

35. 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 Health and Wellbeing DAC, Vhi Occupational Health DAC, Vhi Abbey DAC, Vhi Portfolio DAC, Vhi Health Services DAC, Vhi Cumhdach DAC and Áras Sláinte Limited (ASL) at 31 December 2021.

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.

Subsidiaries	Country of Incorporation	Registered Address	Nature of Business	Holding by Vhi Group DAC (Directly or Indirectly)	%
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	€1,577,966	100
Vhi Health and Wellbeing DAC (formerly Vhi Investments DAC)	Ireland	Waverly Office Park, Old Naas Road, Dublin 12	Provision of health services and minor injury clinics	€1	100
Vhi Portfolio DAC	Ireland	Vhi House, 20 Lower Abbey Street, Dublin 1	Property rental activities	€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	Ireland	Vhi House, 20 Lower Abbey Street, Dublin 1	Property Development Services	€1	100
Vhi Health Services DAC	Ireland	Vhi House, 20 Lower Abbey Street, Dublin 1	Did not trade during 2021	€700	100
Vhi Cumhdach DAC	Ireland	Vhi House, 20 Lower Abbey Street, Dublin 1	Did not trade during 2021	€1	100
Áras Sláinte Limited	Ireland	Vhi House, 20 Lower Abbey Street, Dublin 1	In liquidation	€1	100

36. Related party transactions

As with many other entities, the Vhi 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 35 for interests in subsidiary undertakings.

The total remuneration of the Vhi Board key management personnel for the financial year ending 31 December 2021 was €3.6m (2020: €2.9m), of which remuneration in respect of directors disclosed in Note 8 comprises €1.5m (2020: €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 Healthcare DAC and Vhi Health and Wellbeing DAC. There were no outstanding balances in the financial statements of the Vhi Board at 31 December 2021.
- Vhi Group DAC is the holding company for the Vhi Group. Vhi Group DAC has an intra group loan agreement in place with Vhi Group Services DAC, Vhi Abbey DAC, Vhi Portfolio DAC and Vhi Health and Wellbeing Holdings DAC.
- Vhi Health and Wellbeing Holdings DAC has an intra group loan agreement in place with Vhi Health and Wellbeing 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 and Wellbeing DAC provides home infusion and related services. Vhi Health and Wellbeing DAC provides services to the other Vhi group companies. Vhi Health & Wellbeing DAC also owns the line of business which trades as Vhi Swiftcare. The Vhi Swiftcare clinics and Vhi 360 Health Centre exclusively provide services to Vhi Insurance DAC customers.
- 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 Health and Wellbeing DAC.
- Vhi Abbey DAC provides property development services to other group companies.

37. Subsequent events

During February 2022, Russia invaded Ukraine. The medium to long term impacts on global stability and trade cannot yet be assessed. Vhi will continue to monitor the situation and assess potential impact on its operations and portfolio of investments, implementing remedial action as appropriate. There have been no other significant subsequent events affecting the Vhi Board or any of its subsidiary companies since the balance sheet date.

38. Legal cases

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

39. Approval of financial statements

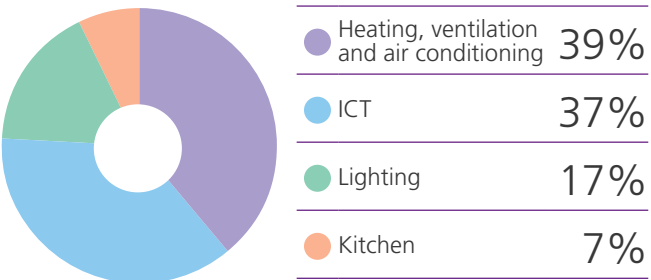
These financial statements were approved by the Board of Directors on 30 March 2022.

Energy Management and Sustainability

In 2021 Vhi Healthcare consumed 5,640,431kWh of energy, consisting of:

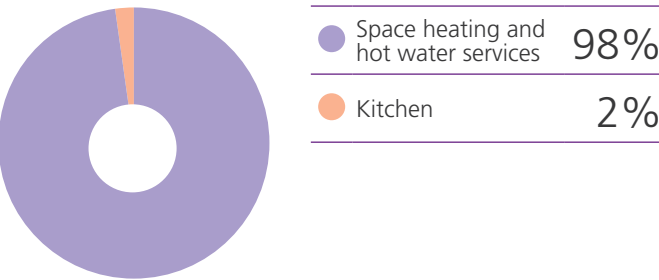
3,775,265kWh of electricity

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



1,865,166kWh of fossil fuel (natural gas)

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



Actions Undertaken in 2021 included:

- Energy management programme development.
- Improved building energy management system control strategies for heating ventilation and air conditioning plant.
- LED lighting upgrades.

Energy saving actions undertaken in 2021, together with existing energy conservation measures:

- provided estimated total annualised energy savings of 244,780kWh, and
- reduced the environmental impact of energy use by 66,420kg CO₂.

Actions Planned for 2022 include:

• Energy Management Programme and Decarbonisation Strategy

Vhi will continue to develop their energy management programme and decarbonisation strategy to address the 2030 energy efficiency and carbon emission targets.

• Energy Monitoring and Targeting

Develop the energy monitor and targeting system to support the energy management and decarbonisation programme.

• Renewable Energy

Implement renewable energy projects including solar photovoltaic systems.

• Heating, Ventilation and Air Conditioning

Optimisation of building energy management system control strategies for heating ventilation and air conditioning plant.

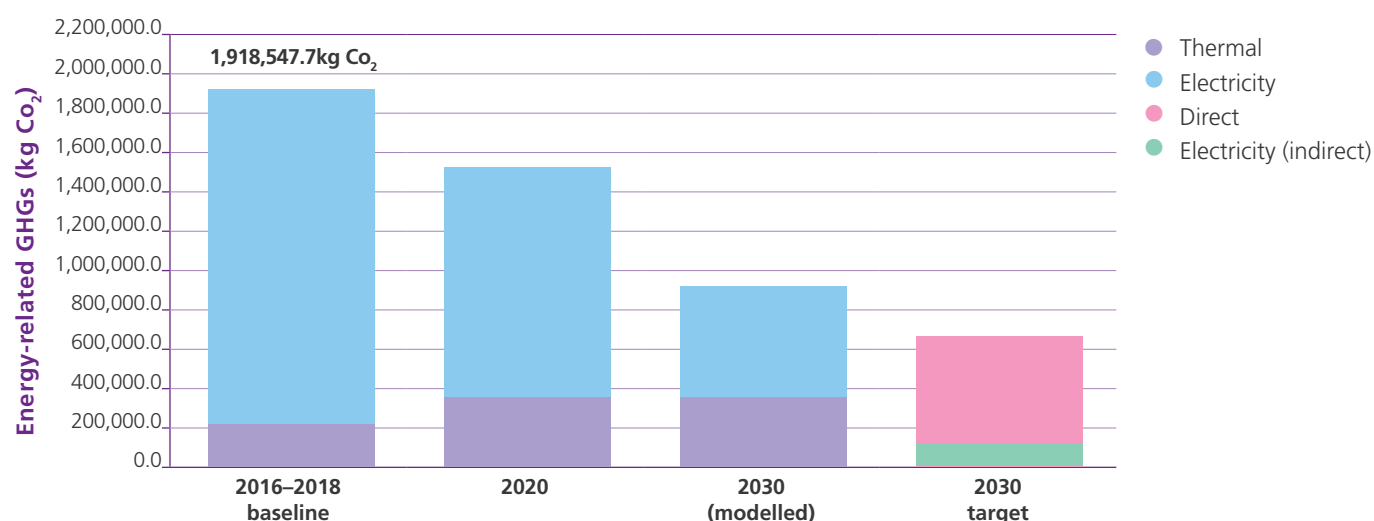
• LED Lighting

Continue replacing fluorescent lighting with LED lighting.

The Government Climate Action Plan (November 2021) obliges the public sector, including semi-state bodies, to achieve at least a 51% reduction in carbon dioxide equivalent (CO₂ eq.) emissions by 2030 and a 50% improvement in energy efficiency by 2030.

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 2030. Based on the 2020 SEAI's M&R energy reporting, Vhi has improved its energy efficiency by 41.5% since the baseline (2009). Based on the SEAI's M&R Gap to Target (GTT) modelling tool Vhi's additional GHG reductions required by 2030 to achieve the emissions reduction target is 253,412kg CO₂ eq.

2030 modelled with supply side decarbonisation of grid



The New Economy and Recovery Authority (NewERA) has designed a Climate Action Framework for commercial semi-state bodies, reflecting the exemplar role they are to play in decarbonisation. This framework contains a series of five commitments by companies in relation to their climate action objectives.

By adopting, the framework Vhi will be entering into each of these commitments as follows:

- Governance of Climate Action Objectives**
 The company's climate action objectives will be integrated into strategic business planning and there will be oversight at Board level, including reporting to the relevant minister.
- Reduction Target and Emissions Measurement**
 The company will formally adopt the government's emission reduction target for the public sector and the SEAI measurement methodology.
- Measuring and Valuing Emissions in Investment Appraisals**
 The value of emissions will be considered by the company as part of its investment decision making process.
- Circular Economy and Green Procurement**
 The company will promote circular economy measures and green procurement.
- Climate-Related Disclosures in Financial**
 The company will identify a climate-related financial disclosures framework that is relevant and appropriate to the company's activities and sector(s) This framework will be subject to periodic review.

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