



## **BRIEFING STATEMENT**

### **Risk Equalisation**

The Society of Actuaries in Ireland has recently been asked to clarify its position in relation to risk equalisation in the private health insurance market.

The Society adopted a formal position in relation to risk equalisation in September 2002, following the preparation of a comprehensive report by a working group, in the context of a consultation paper issued by the Health Insurance Authority in February 2002. There has been no change in circumstances that would require the Society's position, as set out below, to be reviewed.

The Society's position is as follows:

- Risk equalisation is a logical concomitant to a voluntary health insurance system based on community rating, open enrolment and lifetime cover.
- Given the structure of the Irish market, it would be reasonable for the form of a risk equalisation scheme to encourage competition and new competing insurers.
- A risk equalisation scheme, based on age and gender should be introduced, preferably on a prospective basis. This would go some distance towards sharing of risk profiles between insurers, but would also favour new entrants to the market and would avoid the ambiguities and complexities of incorporating a utilisation parameter in the scheme.
- An obligatory system of unfunded lifetime community rating, on the basis recommended in the Society's submission to the Health Insurance Authority in January 2001, should be introduced.
- The transparency of the market would be greatly improved if the corporate status of VHI were resolved in a manner that broke the link with the Minister for Health and Children and VHI were given a commercial mandate. IFSRA could then assume prudential regulation in accordance with normal insurance standards.

It is important to note that the Society has considered the issue of risk equalisation from an actuarial perspective. The Society acknowledges that there may be wider economic and legal considerations but has not addressed these.

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