

# THE SOCIETY OF ACTUARIES IN IRELAND

## Press Release

06 February 2007

### **Risk equalisation needed to support community rating**

The Society of Actuaries in Ireland today reiterated its long-standing position that a community-rated health insurance system requires risk equalisation.

“Risk equalisation goes hand in hand with community rating in an open insurance market”, said David Harney, Chairman of the Society’s Health Care and Social Policy Committee. “We do not believe that there are other market reforms which would enable community rating to be maintained without risk equalisation. Even if there were a much greater number of insurers operating in the market, or if VHI’s current business was divided between a number of insurers, risk equalisation would still be required, as it is unlikely that all insurers would have similar risk profiles”.

He noted, however, that there were different ways in which a risk equalisation scheme could be structured. The current risk equalisation scheme operates retrospectively. The Society believes that a prospective scheme would have some advantages over the current scheme, in terms of greater transparency and greater predictability for insurers. Under a prospective scheme, the Health Insurance Authority would publish a set of age and gender premium rates, and a community premium rate, for the level of health insurance benefits to be equalised. Insurers would make payments to or receive payments from a risk equalisation fund based on the difference between the age and gender premium rates and the community premium rate.

The Society also believes that VHI should be subject to prudential regulation by the Financial Regulator in accordance with normal insurance standards.

“The Society welcomes the appointment of an advisory group to carry out a business appraisal of the health insurance market in Ireland, and will input its views to the group”, Mr. Harney said.

Ends

*The Society of Actuaries in Ireland is the professional body for actuaries practising in Ireland. Actuaries provide advice and relevant solutions for financial, business and societal issues involving uncertain future events. Most of the Society's members work in the financial services industry, and the profession has a statutory role relating to the supervision of pension schemes and insurance companies.*

*The Society seeks to make an impartial contribution to public debate on social policy and public interest matters where an actuarial perspective can add value.*

***Further information***

Report of Society of Actuaries in Ireland working group on risk equalisation, 2002:

[http://www.actuaries.ie/Events%20and%20Papers/Events%202002/2002-05-01\\_Risk%20Equalisation/Risk\\_Equalisation\\_WP\\_Report\\_2002.pdf](http://www.actuaries.ie/Events%20and%20Papers/Events%202002/2002-05-01_Risk%20Equalisation/Risk_Equalisation_WP_Report_2002.pdf)

Society of Actuaries in Ireland Briefing Statement on Risk Equalisation, 2005:

[http://www.actuaries.ie/Press%20Office/Briefing%20Statements/050425-BS\\_Risk\\_Equalisation.pdf](http://www.actuaries.ie/Press%20Office/Briefing%20Statements/050425-BS_Risk_Equalisation.pdf)