



Society of Actuaries in Ireland

Press Release
10th November 2016

Growth in ‘Average Private Health Insurance Premiums’ Expected to Continue to be in Excess of Economic Growth

The growth in ‘Average Private Health Insurance Premiums’ in Ireland has consistently outstripped economic growth over time and is expected to continue to be in excess of economic growth in the future. This is one of the conclusions in an analysis published today (Nov 10, 2016) by the Society of Actuaries in Ireland (SAI).

The key findings of the SAI’s research paper on ‘Inflationary Pressures in the Irish Private Health Insurance Market’ are:

- the ageing of the insured population contributed approximately 2.5% p.a. to claims inflation between 2009 and 2015. The total impact of 2.5% p.a. can be attributed to the ageing of the general population (c. 1.0%), increased penetration rates at older ages (c. 0.5%) and reduced market penetration rates at younger ages (c. 1.0%).
- the potential inflationary impact of projected future demographic changes on health insurance premiums from 2016 to 2046 will be in the region of +1.3% p.a., with the strongest effect (approximately 1.7% p.a.) expected over the period 2016 to 2026 with the inflationary impact gradually weakening in the years after that.
- the take-up of private health insurance cover is strongly correlated with growth in disposable incomes relative to premium inflation.

The Actuaries’ research paper points out that, “The introduction of the new lifetime community rating (LCR) structure in 2014 has been a clear initial policy success in terms of the 105,000 rise in insured lives in open enrolment undertakings seen in 2015. It is too early to tell whether LCR will have an on-going impact on the age profile of the health insurance market.”

The Healthcare Committee of the Society of Actuaries also considered recent trends in premium inflation and identified the following features:

- Between 2010 and 2015, premium increases by insurers resulted in a 65% increase in the Health Insurance Premium Index as calculated by the CSO, but the average premium paid by consumers only increased by 32% over this period, suggesting that consumers switching between products and insurers resulted in average savings of c. 50% of the price increases proposed by insurers.
- For all age groups, as prices increase, customers are choosing different plans in order to keep their premiums down.
- Younger customers are more sensitive to price and less sensitive to the actual benefits offered, which are more valuable to older lives given their higher propensity to claim.

[The full paper is available here.](#)

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Society of Actuaries in Ireland

The Society of Actuaries in Ireland is the professional body for actuaries practising in Ireland. Actuaries provide advice on 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.



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