

# THE SOCIETY OF ACTUARIES IN IRELAND

## Press Release

27 April 2007

### **Society of Actuaries in Ireland welcomes recommendations on community rating and risk equalisation**

The Society of Actuaries in Ireland today (Friday, April 27th 2007) welcomed the recommendations in the Barrington group report on community rating and risk equalisation.

“The group’s recommendations on community rating and risk equalisation are broadly in line with the Society’s long-standing position,” said David Harney, Chairman of the Society’s Health Care & Social Policy Committee. “For example, we share the view that community rating should be mandatory only in respect of the level of cover that the majority of the insured population has, with normal insurance pricing (risk rating) being allowed for additional cover in excess of this level.

“We also agree that lifetime community rating should be introduced i.e. those who take out insurance for the first time later in life should pay a higher premium than those who take out insurance at a younger age and maintain it throughout their lifetime.

“This is desirable because it will encourage younger people to take out private health insurance, which in turn is essential to ensure the sustainability of community rating, particularly given an ageing population.

“We believe that a community-rated health insurance system requires risk equalisation. However, our view is that it would be reasonable for the form of a risk equalisation system to encourage competition.

“The Barrington report has recommended exploring the feasibility of offering discounts to customers who adopt healthy lifestyles. While it would undoubtedly be desirable to promote health-enhancing behaviour, any such measures would require very careful consideration before implementation, in particular to ensure that community rating is not undermined.”

The Society of Actuaries welcomes the pro-consumer measures being implemented by the Government to ensure that policyholders are made aware of the “open enrolment” rules, which mean that they can switch insurers without any loss of cover for existing medical conditions, and also agrees that VHI’s corporate status should be resolved and it should be given a commercial mandate.

Ends

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*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.*