



Private Medical Insurance Submission

on

Minimum Competency Requirements

to the

Financial Regulator

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14th May 2009

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Overview of Private Health Insurance Market

Private health insurance is one of the most complex product areas in Ireland. It also one of the most important with almost 52% of the population insured paying close to €1.5 billion in premiums.

There are 95 different schemes on offer at present covering both the individual and corporate markets and when you consider all the possible product combinations, there are in excess of 200 possible product variations.

It is also constantly changing, e.g.

→ *Hibernian Aviva Health introduced a new company plan on the 1st Mar and have just introduced 4 new individual plans in the last week,*

→ *VHI introduced a new company plan earlier in the year and have followed this with 3 new corporate plans just launched this week,*

→ *VHI have also introduced a range of benefit amendments which will affect their corporate and life stage plans effective from 1st June.*

Unlike many other insurance products, health insurance is an extremely emotive purchase. Members want certainty that their health will be well looked after by their provider in the event of making a claim. Many members have been insured on their parents' policies and continue with their own cover when they enter the workforce. With medical inflation averaging 10% per annum and the well publicised difficulties with the public health service, members will be placing even greater importance on having the right plan at the right cost. It is absolutely not a commodity product that should be purchased / sold on price alone. Everyone's healthcare requirements are unique and these need to be considered in detail before providing a recommendation.

Approximately 35% of all members are insured through company group schemes with close to 50% of these being company-paid by the employer. This represents a significant cost to the employer and expert advice in this area will be crucial as organisations look to contain their costs. However, providing advisory or consultancy services in the area of healthcare is extremely complex due to contractual issues, trade union representation, communication requirements, and other issues such as linked benefits. Experience in this area is crucial especially when advising the large corporate schemes.

Whilst surveys have shown increased awareness amongst members regarding their cover and the health insurance market in general, many members still do not fully understand their benefit entitlements. They have never properly reviewed their cover and don't understand their rights and protections on switching to another provider. This means that all advisors in this area must be sufficiently expert in the field to be able to explain in detail each members' current benefits before considering alternative plans with other insurers.

Finally, the legislative landscape for health insurance is completely different to that of all other life and non-life insurance products. It is also constantly changing as is evidenced by the recent Health Insurance (Miscellaneous Provisions) Bill 2008 and the VHI Amendment 2008. The former piece of legislation will have serious implications for the health insurance market if implemented in its current form. A knowledge of all legislation governing the health insurance market is necessary to ensure that proper advice is given at all times.

In my opinion, to give expert independent advice to both individual and company clients, it is necessary to;

- **Understand the strategy and approach of each of the health insurance companies,**
- **Understand their complete product range and be able to outline the range of options available across all three health insurers based on the clients' specific requirements,**
- **Understand all the legislation specific to the health insurance market in Ireland,**
- **Understand the product differentials across all plans and be able to advise clients accordingly to make sure that no issues arise regarding their cover, either now or in the future,**
- **Understand how to identify linked benefits and capped benefits to advise clients accordingly when considering switching their cover,**
- **Understand switching requirements and criteria for both individuals and company schemes. In relation to the latter, it is critical to understand how to address all health insurance related issues which can only be gained through practical experience,**
- **Conduct a proper fact-find to understand the client's exact requirements in relation to their cover and to never base any recommendation on price alone,**
- **Stay full informed of all developments in the health insurance market including;**
 - pending product launches or pending legislation that could affect the market
 - changes in the provision of health services and / or changes in the public hospital charges
 - changes in the lists of participating hospital and consultants
 - new facilities coming on stream and knowing which insurers covers same and under what plan
 - be familiar with all aspects of healthcare such as new treatments; approved scan centres; typical cost of certain procedures; medical inflation; specialist treatment centres; difference between private and high-tech facilities

Review of Terms of Reference from Financial Regulator

Below is a bullet-point commentary on the conclusions reached by the Regulator in their consultation paper on Minimum Competency for Private Medical Insurance;

Background

- As very few practitioners have any previous experience in the health insurance arena, few have qualified to avail of the previous 'grandfathering' arrangement,
- I understand that increasing numbers are going through the Diploma in Private Medical Insurance programme as this covers everything to do with health insurance in Ireland.

Developments in the private medical insurance market

- Whilst there has been increasing interest amongst life assurance intermediaries, increasing numbers of non-life assurance intermediaries are entering this market and most of these meet the minimum competency requirements as set out by the Regulator,
- I am aware of the concerns regarding the appropriate qualifications necessary to give advice in this area. There are also concerns in the market over what 'best advice' should look like, i.e. does it mean dealing with all three health insurers or only one. If it's the former which I believe it should be, then the level of knowledge and competency required would be at a much higher level. The Regulator needs to consider this in detail as this will determine the level of knowledge that has to be attained by the relevant advisor,
- I agree with the point re the health insurance content of the bridging exam for QFA's. However, I question the point made re some intermediaries writing only a small level of private health insurance business. Volume is irrelevant, the key criterion is quality of advice whether it is one customer or 1,000. If any intermediary wants to enter this market for the benefit of their clients, I believe they need to either demonstrate their knowledge in this area to the Regulator or alternatively, they need to obtain the necessary knowledge. I believe there is a perception in the market that this is 'simple business' which needs to be dispelled immediately. It is arguably one of the most complex product and I believe that it should only be considered by those who intend focusing on healthcare as a key product line on an ongoing basis,
- I fully agree with the Regulator's points re preserving the principle of giving quality advice to consumers from appropriately trained professionals and that maintaining the integrity of the Requirements is of primary importance regardless of market developments.

Recommendations

My recommendations are outlined below in accordance with the questions presented in the consultation paper.

1. I believe this will be a difficult area for the Regulator to address but would suggest the following;

- the integrity of the Code needs to be maintained at all times and the Regulator needs to ensure that quality advice is provided by appropriately trained individuals;

- unless an advisor has practical (customer facing) experience from the industry (VHI, BUPA or Quinn, Vivas or Hibernian), I believe it will be difficult for the Regulator to define terms acceptable to the industry for a grandfathering type arrangement. In this regard, private health insurance should be treated like other life or non-life products, e.g. there are many general brokers interested in selling income protection, yet they have to complete the QFA programme to do so even though this product is considerably less complex than health insurance,

- I also believe that the CIP qualification is not appropriate for QFA's who want to enter the health market. I recommend that the Regulator in conjunction with the education bodies for the industry consider a one or two module programme specifically designed for QFA's which deals primarily with health insurance. This would fall well short of the full diploma programme on private medical insurance, but would ensure a minimum level of knowledge which would be in keeping with the current Competency Requirements. It should be possible to achieve this qualification over a 6 month period and would be suitable for those intermediaries who want to provide advice on this area to their clients, albeit on a limited basis.

2. As above, I believe the key criterion for eligibility to give advice in this area must be previous experience within the health insurance industry. Without this, I recommend the approach as outlined in the previous point even if the intermediary is grandfathered for other forms of non-life insurance.

Best advice must be preserved at all times. The continuous feedback I get from dealing with clients, intermediaries and the industry in general is that " I never realised it was so complex". The Regulator needs to deal with the perception that this is a simple product that can be re-brokered on price alone especially in relation to company schemes. I believe that those who are serious about developing a health insurance advisory service for the benefit of their clients will subscribe to an education programme focused on healthcare only which enables them to develop their competency over a relatively short period of time. The diploma on private medical insurance is a four module programme designed specifically to give a complete understanding of everything to do with the health insurance market in Ireland and is ideal for those who intend specialising in this area over the medium to long term.

3. I have addressed this above in points 1 and 2 above.

4. Given the complexity of health insurance which can't be underestimated, I recommend that this should be considered as follows;

- those who can demonstrate relevant experience from within the health insurance industry in Ireland should be eligible for a grand-fathering arrangement (terms of which can be defined by the Regulator),

- those with no previous health insurance industry experience (both life and non-life) should complete a competency development programme consisting of one or two modules which focus completely on health insurance. This programme could be quickly designed in conjunction with the Insurance Institute of Ireland as all the essential material already exists within their diploma programme. This test together with the ongoing CPD requirement should be sufficient for those who wish to enter the health insurance advisory market, albeit on a limited basis;

- for those who wish to concentrate on health insurance as a key product line, I recommend that they assign a dedicated person within their business to be the health insurance specialist and that this person completes the diploma programme on private medical insurance,

- I would caution any intermediary against entering this market for incidental sales only. It is too complex an area that requires significant investment in terms of time to become familiar with all the products and legislation. Given the pace of change in the industry, there will be an ongoing investment to ensure that one is completely up to date on all new products and benefit changes. A competency development programme would support this and would dispel the perception that health insurance is 'simple business'.

I am conscious that the above recommendation may not be welcomed by the industry as no one relishes the thoughts of more exams etc. However, consider for a moment an individual working in health insurance for years who wants to work in a broker's office selling income protection. He/she can't do this unless they commence and complete the QFA programme even though this product is more straight-forward compared to health insurance. How then can the industry consider allowing advice to be given on health insurance without ensuring that advisors have developed the minimum competency to do so. For the welfare of consumers in general and the preservation of the Regulator's key principles, I believe the industry needs to be consistent in its treatment of all insurance products in relation to minimum competency.

Appendix 1: Overview of PHI Consulting / Dermot Goode

Dermot Goode, trading as PHI Consulting is regulated by the Financial Regulator.

PHI Consulting specialises in the provision of both consultancy and advisory services in relation to all aspects of private medical insurance and income protection. PHI Consulting is completely independent and deals with all health insurers registered with the Financial Regulator and Health Insurance Authority.

A brief summary of the principal, Dermot Goode is provided below.

Dermot Goode BA Mngt (IMI), QFA Director - PHI Consulting

Dermot is currently the Managing Director of PHI Consulting which specialises in the provision of consultancy and re-broking services in both the health and life assurance sectors. He has extensive knowledge of the Irish health insurance industry having worked in various management and consultancy roles including; VHI Healthcare (Corporate Sales); Irish Pensions Trust (Manager, IPT Healthcare Services); Mercer (Consultant, Mercer Healthcare Practice) and BUPA Ireland (General Manager, Sales). In 2002, he joined Friends First Life Assurance Company as the General Manager of their Corporate & Partnerships division. He is a graduate of the Irish Management Institute (IMI) where he received a BA in Management and he has lectured on various management development programmes with the IMI and the Dublin Institute of Technology (DIT). He is a QFA and has also provided lecturing support to the Insurance Institute of Ireland.

