

# **Consultation on Minimum Competency requirements for PMI**

Vhi Healthcare - Position Paper

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## **Introduction**

As the market leader for private medical insurance (PMI) in Ireland, Vhi Healthcare is proud to be the insurer of choice for seven in every ten of the entire insured population countrywide. Indeed, as the only not-for-profit specialist PMI insurer, Vhi Healthcare exists solely to serve the healthcare needs of its 1.50 million customers.

Our ethos is primarily based on the desire to provide consumers with access to high quality, affordable healthcare and protection from the costs of illness, all supported by excellent customer service. We are grateful for this opportunity to submit our views and recommendations in respect of Minimum Competency Requirements for private medical insurance.

### **Vhi Healthcare and the customer**

Vhi Healthcare now insures almost two million lives between our health insurance business and our diversified product portfolio. Despite difficulties being experienced in the Irish economy, increased competitive pressures and a mature health insurance market, last year we recorded 1.50 million people insured under our hospital plans with some 450,000 customers also having purchased from our range of diversified products.

Our interaction with customers is particularly important to us – the interest of the customer remains at the centre of everything we do. As a result, the sheer scale of our interaction with customers is enormous. In a typical year we will have had around 4 million contacts with consumers through telephone, email, mail, website, text messages, group scheme account management or through personal callers to our offices in Dublin, Dun Laoghaire, Donegal, Cork, Limerick, Galway and Kilkenny.

Our experience shows we know what our customers want and we know what is required to fulfil their private medical insurance expectations. We also know that providing for one's healthcare needs or that of one's family is of paramount importance to the majority of people in Ireland, and that consumers want the most informed and professional advice available.

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## **What PMI customers demand**

The decision to purchase PMI is not one that is taken lightly. For most people it may involve quite a considerable financial commitment and whether the consumer is purchasing for their own needs or on behalf of the needs of others, e.g. family or employees etc, it is important that consumers can depend on the integrity of the advice provided by the PMI agent or insurer. In addition, there are many factors which need to be considered when recommending appropriate insurance cover to suit the needs of the individual or those of his/her family. Such factors can include health status, age, gender, stage of life, income level, choice of provider, access to facilities, and geographic location to name just a few.

The days of providing a 'one size fits all' type plan to cover most situations have long gone. Current trends show that consumers demand cover which is tailored to suit their personal health and lifestyle needs, is affordable, and which provides them with a range of benefits they can actually use.

A reasonable percentage of our business is made up of group insurance schemes and many employers in Ireland recognise that employees place a high value on healthcare provision as a key benefit. Many of our corporate customers have a policy of dealing only with quality assured and fully qualified providers. Such customers will only purchase employee benefit services (such as PMI) from appropriately qualified sources.

As well as knowing and being able to satisfy the needs of their customers, an agent or PMI insurer needs also to be aware of a wide variety of other external factors which may also influence the advice they provide to the consumer. In our opinion only an individual who has studied and obtained a suitable PMI based qualification would have the appropriate knowledge base to best assist a customer with their PMI purchase decision. At Vhi Healthcare all of our Sales Management team and key Customer Service personnel have gained or are currently in the process of gaining the Diploma in Private Medical Insurance (Dip.PMI) in association with the Insurance Institute of Ireland (III).

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## Key concepts provided by the appropriate PMI qualifications

Listed below are ten key areas in which it is essential for any individual involved in the advice or sale of PMI products to have a high level of competency:

- I. **Unique Underwriting Concepts:** the advising agent must have an understanding of unique PMI concepts such as Community Rating, Open Enrolment, Minimum Benefits, Lifetime Cover and Risk Equalisation. Such concepts form the ethical basis for providing and conducting PMI business. These concepts are utterly unique to the PMI market and are topics which will be unfamiliar to most general non-life or life assurance agents.
- II. **Product Complexity:** the advising agent must have a thorough knowledge of the range of products available. The nature of PMI products has changed to suit the many different requirements of consumers with day-to-day, dental, travel, and expatriate types of product being added to the more traditional hospital plans. Vhi Healthcare has at present 33 different products which can be mixed and matched to provide as many as 93 different permutations of cover. In fact, even though there are just three main insurers the number of product permutations available exceeds 200.
- III. **Market Structure:** the advising agent must have a good understanding of how the PMI market is structured in terms of the number and types of insurers, reinsurers, intermediaries, regulatory authorities, domestic and international organisations.
- IV. **Irish Healthcare System:** the advising agent must know the strengths and weaknesses of the Irish public health system; how the public and private systems share resources; the types of providers in the various sectors (e.g. voluntary hospitals, private high-tech hospitals etc); consultants; regulatory bodies etc.
- V. **Legislative Framework:** the advising agent must have a sound knowledge of relevant PMI legislative and regulatory requirements that apply to insurers, providers and insured. A knowledge of basic contract law together with what is provided for under the Health Acts would also be essential, as would knowledge of the statutory regulations for intermediaries.

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- VI. **Consumer Protection:** In order to serve the best interests of the consumer the agent also needs to be fully aware of his/her obligations under the Financial Regulator's Consumer Protection Code; Minimum Competency Requirements; Consumer's Rights Legislation; Health Insurance Authority requirements etc.
- VII. **Policy Wording:** an agent also needs to be aware of the structure, function and contents of any policy applicable to a PMI product. He/she will also need to understand and convey any exceptions, waiting periods, exclusions, deductibles and excesses which may affect the benefit to the consumer.
- VIII. **Claims handling:** for agents more used to settling claims by negotiation (which tends to be the norm in other forms of insurance) it is important that he/she be aware that claims benefit is strictly allocated in accordance with the terms of the plan contract under which the claimant is insured or within the agreed and specific limits of provider reimbursement schedules. The agent will also need to be aware of the basic elements of the claims assessment flow and processes.
- IX. **Premiums:** a knowledge of how premiums are calculated and set is essential. Due to the complexity of the product offerings it would be advisable for the agent to have some form of automated quotation processor to provide accurate quotations which also facilitate group scheme discounts, tax-relief at source and any other new PMI regulatory requirements.
- X. **Accreditation:** As many customers will now not seek to deal with individuals who do not hold a formal recognised qualification in PMI, the acquisition of a Diploma in Private Medical Insurance (Dip.PMI) is considered essential. It provides consumers with a high level of assurance that the advisor has extensive knowledge of the PMI market and can offer quality advice on the best and most appropriate PMI products for their needs.

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## **Minimum Competency Requirements – Recommendations**

Vhi Healthcare believes that the following recommendations would best serve the interests of PMI consumers and would further enhance consumer protection.

1. An agent grandfathered in life assurance with no PMI qualification will not be able to provide consumers with best advice and expertise.

**Vhi Healthcare recommends that the Financial Regulator insist that agents grandfathered on life assurance/other forms of non-life insurance who wish to provide advice or sell PMI must gain, as a minimum, the Diploma in Private Medical Insurance (Dip. PMI).**

2. Under the current Minimum Competency Requirements agents who provide advice or sell PMI and who do not benefit from grandfathering must have a Dip.PMI, while those who engage with PMI business on a limited basis must have a CIP or Bridge Examination in general insurance. Lack of clarity around what actually constitutes limited-basis PMI selling leaves consumers exposed and is inequitable to appropriately qualified individuals. For example an agent advising or selling PMI which represents 60% of total business is currently considered as engaging PMI on a limited basis.

**Vhi Healthcare recommends that the Financial Regulator introduce precise rules and guidelines to establish and define what percentage of business constitutes limited basis PMI operation and the appropriate level of qualification to be attained.**

3. It is our understanding that the PMI content of CIP/Bridge Examination is currently elective. Therefore an agent can simply choose not to be examined in PMI and be considered to have satisfied the Financial Regulator's minimum competency requirements for PMI. This leaves customers of such agents at a

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disadvantage as they will not receive the best and most appropriate advice on PMI products.

**Vhi Healthcare recommends that the Financial Regulator must review the syllabus of the CIP/Bridge Examination to ensure that the PMI content of this examination is as adequate and detailed as the Dip. PMI and also is mandatory for all CIP/Bridge students to sit.**

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