



Irish Life

health

Introduction

Irish Life Health is the new force in health insurance following the acquisition by Irish Life Group of Aviva Health and GloHealth in August 2016. Set out below are the views of both Irish Life Health and GloHealth representing over 400,000 health insurance members.

Irish Life Health and GloHealth welcome the opportunity to make this submission as the only health insurance providers within the market who currently distribute their products through intermediaries. All views expressed are confined to the operation of commissions within the health insurance market acknowledging that differing commission structures may be more appropriate across other markets.

Health insurance legislation places differing constraints around intermediaries that are not found within other markets. Community rating means that a health insurance product must be sold at the same price to all persons regardless of age or claims experience with very limited exceptions. Therefore, neither an intermediary nor an underwriter have much flexibility to change premiums for a specific product for individual customers.

Health insurance policies are one year contracts which can range in premiums from €400 to €5000 and as such the remuneration structures need to be adaptable to ensure that consumers are placed at the core of any decision making by an intermediary.

Commission models also need to be adaptable to cater for a wide variety of arrangements, from standard brokerages to managing general agencies for underwriters.

Specific Comments:

- Commission structures need to be clear, transparent and sustainable for both the intermediary and the product producer. Intermediaries need to be placed in a position that enables them to provide fair independent advice to consumers from the range of products at their disposal.

- The product provider and the broker must be able to demonstrate why the product advised was appropriate for the customer and not driven by any financial conflict. Hence any remuneration model needs to place emphasis and reward on choosing the correct product/advise for the customer rather than that which maximises return to the intermediary. This should align with the obligation of product producers to furnish information to intermediaries in relation to the correct segment of customers to which each product is targeted and the justification for same.

- The current restrictions around remuneration structures should be re-examined based on the nature of the product that is being sold to the consumer – one remuneration model may not work for all products and similarly all restrictions on remuneration products may not work either for all intermediaries – in particular when one compares the model between life assurance policies and that of non-life yearly policies.

- GloHealth currently operates as a general managing agent for Great Lakes Reinsurance (UK) S.E which operates under a profit share model. These types of contractual arrangements between an intermediary and an underwriter have a significantly different dynamic to traditional brokerage arrangements. The Central Bank needs to ensure that the variety of differing brokerage models can be sustained within the market to allow for free movement of services and that any changes to remuneration structures does not curtail the establishment of new business practices.

- Brokers should set out their fee structures in advance to the client so they understand on what basis their advice is being remunerated and any other fees that might be charged. Brokers should also set out the services that they will provide to the consumer for the fee they will receive – this would allow consumers compare and contrast the services they are receiving from a variety of brokers. This should also be an ongoing requirement on a yearly basis if the broker is receiving any form of renewal commission.

Conclusion

Health insurance products are complex to understand and as such consumers benefit from accessing individual professional advice via brokers on the most suitable options available to them within the market. Remuneration structures need to put consumer needs at the core while maintaining flexibility.