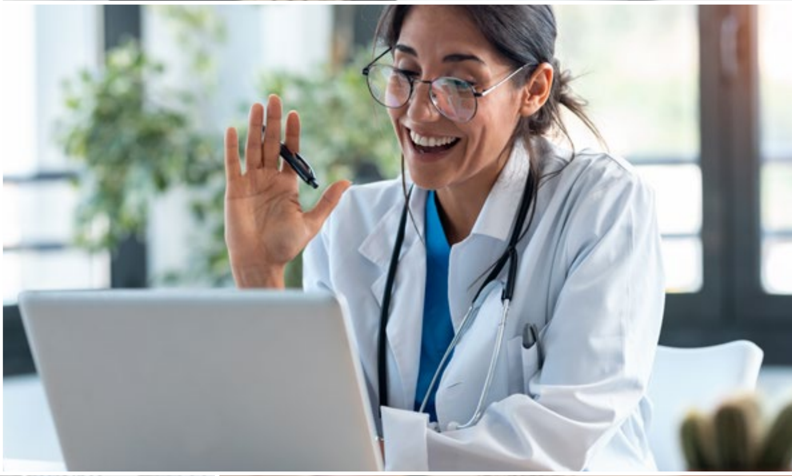
To help our customers live longer, stronger and healthier lives

Vhi Annual Report and Accounts 2020



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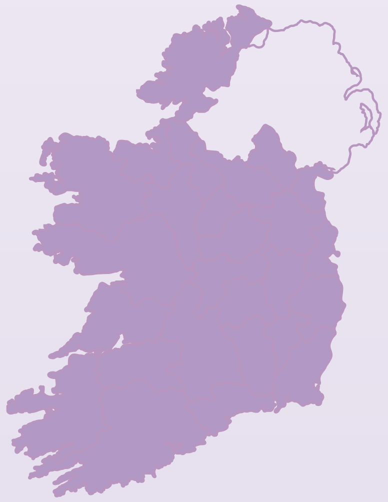

Vhi No.1 Health Insurer

1.132m
Customers

1,550
Employees

290k
Health and Wellbeing Patient Interactions

1 million
Customer Calls

111k
WebChat

466k
Snap and Send Claims

79k
Vhi SwiftCare Visits

43k
NurseLine Appointments

22k
Online Doctor and Telemedicine Consultations

27k
Vhi Health Squad Users

23k
Vhi Virtual Women's Mini Marathon participants

Contents

Supporting our customers

Vhi exists to meet the healthcare needs of our customers, and never more so than in a time of crisis. In a year of unprecedented challenges, we adapted our products, services and ways of working to respond to customers' and patients' needs.

Ensuring value for customers

Due to lower than forecasted claims, we uniquely waived premiums twice, returning €265 million to our customers.

Help where it's needed most

We developed a range of supports for customers who found themselves in difficult financial circumstances as a direct result of COVID-19 We established a specialist team of advisers to deliver supports for customers based on their individual circumstances.

Keeping our customer service phone lines open

Most of our customer service staff began working remotely in March 2020 and continued to provide great customer care to our customers. During 2020 we answered more than one million customer calls.

Expanding our online Health and Wellbeing services

Over 290,000 customers, an increase of 42% on the previous year, interacted with our expanded Health and Wellbeing services. The services included Well@ Home, 24/7 Mental Health Line and Occupational Health services.

Vhi Board of Directors

1. Paul O'Faherty
2. John O'Dwyer
3. Joyce Brennan
4. Peter Cross
5. Mike Frazer
6. Karen Furlong
7. Mary Halton
8. Dean Holden
9. Finbar Lennon
10. Declan Moran
11. Greg Sparks
12. Brian Walsh

Paul O'Faherty, Chairperson Independent Non-Executive Director
Paul O'Faherty is an actuary and is a Non-Executive director of a number of companies in the financial services and investment areas. Until 2013 he was Chief Executive of Mercer Ireland and Chairman of Marsh McLennan Companies in Ireland. In his career as a consultant in Mercer, he advised the Department of Health for many years on health insurance matters. He is a Fellow and a past President of the Society of Actuaries in Ireland. He is also a past Chairman of the Irish Association of Pension Funds.

John O'Dwyer, Chief Executive
John O'Dwyer joined Vhi in 2012 from the international Dutch insurance group Achmea where he was the Chief Operating Officer and Executive Director with responsibility for the life, general and health businesses in Interamerican, the second biggest insurer in Greece. John has an extensive track record in financial services and in particular, the health insurance sector which included roles such as Managing Director of Friends First Life Assurance, Director of Operations at BUPA Ireland and Assistant Chief Executive with responsibility for Claims in Vhi. He was also Non-Executive Chairman of the Board of the National Treatment Purchase Fund.

Joyce Brennan, Independent Non-Executive Director
Joyce Brennan is an actuary with more than 30 years' experience across the insurance and pension sectors. She is Managing Director of General Investment Trust DAC, a company within the Bank of Ireland Group, which provides professional trustee services for pension plans. She is a Non-Executive Director of a reinsurance company. Previous roles included advisor to the Health Insurance Authority, advisor to the Department of Health on private health insurance regulation, Director at Irish Pensions Trust Ltd, Director at KPMG and Principal at Mercer.

Peter Cross, Independent Non-Executive Director
Peter Cross is Managing Director of Trasna Corporate Finance, an advisory firm specialising in telecoms and infrastructure, and is a non-executive director of Cubic Telecom, of DAA plc and of a number of wind energy assets managed by Arjun Infrastructure. Peter was previously director and audit committee chair at Ervia, and audit committee chair at the HSE. Prior to establishing Trasna, Peter worked as CFO of eircom and of BT Openreach, as Group Director of Corporate Finance at BT and as a trustee of BT's defined benefit pension scheme. He worked in corporate finance at Barings and Morgan Stanley and he qualified as a chartered accountant with Arthur Andersen in Dublin.

Mike Frazer, Independent Non-Executive Director
Mike Frazer is an actuary with more than 30 years' experience in the insurance industry, having worked primarily with Irish Life, Zurich Life and as CEO of AXA Life Invest Reinsurance. In addition, he worked at the Central Bank of Ireland where he was Deputy Head of Insurance Supervision. He currently works as a consultant with William Fry Solicitors, and is a non-executive director of a non-life insurance company. Since 2018, he has served as the Honorary Secretary of the Society of Actuaries in Ireland.

Karen Furlong, Independent Non-Executive Director
Karen Furlong is an experienced Director with 30 years' experience across financial services (insurance and banking), fintech, professional services and not for profits. She has expertise in digital transformation, strategy, change and transformation, governance and risk. She has worked in Standard Life, Prospectus Strategy consultants, Fineos, First-e Internet Bank, Educational Building Society, CUNA Mutual and Allianz and has held board roles in ECO Unesco, Dublin City University and National College of Art and Design. She is currently chairperson of AirPOS SaaS and has INED positions with the Progressive Building Society, Triodos Bank and The Personal Injuries Assessment Board (PIAB) in Dublin.

Mary Halton, Independent Non-Executive Director
Mary Halton is a Chartered Accountant with a range of executive, non-executive, and advisory experience gained in the UK, Canada, and Ireland. With a background in banking and insurance, she now provides board advisory and governance services to organisations in the public and private sectors. She holds a PhD in Public Policy, an MSc in Executive Leadership, and her research on board governance has been published internationally. Mary currently serves as a lay member of the UK Copyright Tribunal.

Dean Holden, Independent Non-Executive Director
Dean Holden is an Independent Non-Executive Director of the Skin and Cancer Foundation, Australia and a senior adviser to AMP Capital Investors Ltd. He spent 29 years at BUPA where he was responsible for the growth and development of the health insurance, aged care and health services businesses across Australia and New Zealand. He led Bupa's operations in Australia, New Zealand, Latin America, Spain, Saudi Arabia, Singapore, Hong Kong, the USA, Denmark and Thailand. He held a range of senior roles including Group Financial Controller, Managing Director of Bupa's Asia Pacific Division, Managing Director of Bupa's International Division and International Markets Division. Born and educated in the UK, Dean is a Chartered Certified Accountant (FCCA), has completed studies with Oxford University's Centre for Corporate Reputation, as well as the Advanced Management Program at Wharton Business School in the US.

Finbar Lennon, Independent Non-Executive Director
Finbar Lennon is a medical graduate of UCD and did his postgraduate surgical training in London, Edmonton (Canada) and Dublin. He worked as a consultant general surgeon in Our Lady of Lourdes Hospital, Drogheda (1983–2012). From 2009 until 2012 he also worked in Beaumont and the Mater hospitals in Dublin as a specialty breast surgeon. He was Medical Director in Drogheda (1992–1998), Medical Advisor to the North Eastern Health Board (1997–2004) and a medical advisor to the Secretary General in Department of Health (2012–2014). He was a member of the Professional Conduct Committee of the Pharmaceutical Society of Ireland and served on its Practice Development Committee (2012–2016). He is currently an honorary lecturer in surgery in UCD and participates in the undergraduate teaching programme

Declan Moran, Director, Marketing and Business Development
Declan joined Vhi in 1997 from the life and pensions industry and was appointed to the Vhi Board of Directors in 2008. He served as Acting Chief Executive from November 2011 to July 2012, and as Acting Group Chief Executive from January 2020 to July 2020. He is responsible for Vhi's Customer Proposition including Marketing, Vhi's product portfolio and the development of new products and services. Declan Moran has a BSc in Computer Science and is a Fellow of the Institute of Actuaries since 1994 and a member of the Institute of Directors

Greg Sparks, Independent Non-Executive Director
Greg Sparks is a former partner of RSM Farrell Grant Sparks. Greg holds a number of Board appointments in the private sector both domestically and internationally, including Digicel, D.W.D. and Joe Duffy Motors. He presently Chairs VistaMilk SFI Research Centre. Greg has served on the Boards of The Irish Times, Jigsaw and Eir. In addition, he chaired the Coombe Hospital for a number of years.

Brian Walsh, Director, Finance
Brian joined Vhi in November 2014 as Director, Finance and was appointed to the Board in March 2015. Prior to joining Vhi, he worked with global food and ingredients company Ornua, based in Los Angeles. Previously, Brian led a successful private equity fund, focused principally on developing pan-European businesses. He has held Board and executive financial and commercial roles in the international financial services, telecommunications and FMCG industries in Europe and the United States with leading companies including Citibank, Deutsche Telekom and eir. Brian is a Fellow of Chartered Accountants Ireland, having qualified with PwC, and is a Chartered Director of the Institute of Directors. He holds graduate and post graduate business degrees from University College Dublin.

Management Team

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1. John O'Dwyer
2. Amy Burke
3. Dr. Bernadette Carr
4. John Creedon
5. Aaron Keogh
6. Adam Lyon
7. Margaret Molony
8. Declan Moran
9. Tim McKeown
10. Brian Walsh
11. Dr. Barry White

John O'Dwyer, Chief Executive

John O'Dwyer joined Vhi in 2012 from the international Dutch insurance group Achmea where he was the Chief Operating Officer and Executive Director with responsibility for the life, general and health businesses in Interamerican, the second biggest insurer in Greece. John has an extensive track record in financial services and in particular, the health insurance sector which included roles such as Managing Director of Friends First Life Assurance, Director of Operations at BUPA Ireland and Assistant Chief Executive with responsibility for Claims in Vhi. He was also Non-Executive Chairman of the Board of the National Treatment Purchase Fund.

Amy Burke, Director, Group Human Resources

Amy Burke is an experienced HR executive responsible for the culture and colleague agenda within Vhi. Prior to joining Vhi in April 2020 Amy was Interim Head of Human Resources for Bank of Ireland Group. She has led significant change management programmes including organisational culture, talent and succession planning and organisational design programmes. Her career with Bank of Ireland initially started in retail banking before moving on to specialise in Human Resources where she held HR Director roles in their Retail, UK, Capital Markets and Group Functions. Amy has a BSc in Finance from UCC and is also a graduate of the Ross School of Business, University of Michigan.

Dr. Bernadette Carr, Director, Medical, MD, FRCPI, MPH, LFOM

Bernadette Carr is a physician with extensive clinical, research and healthcare management experience. She is accredited in both General and Geriatric Medicine and is on the Specialist Register of the Medical Council of Ireland. Bernadette has extensive training and experience in Management, Clinical Medicine and Epidemiology both in Ireland and internationally. Her qualifications include a Doctorate in Medicine from TCD, a Licentiate of the Faculty of Occupational Medicine, RCPI, a Masters in Public Health, Diploma in Practical Dermatology (Cardiff) and an Advanced Management Certificate from INSEAD. She was elected to Fellowship of the Royal College of Physicians in Ireland in 1996. She joined Vhi in 1994 and as Medical Director is responsible for medical policy, healthcare purchasing, provider reimbursement schedules and provider contract negotiations.

John Creedon, Director, Claims*

John Creedon has been a Director of Vhi since 1996 and prior to this he held a number of senior positions within Vhi. John is responsible for the overall service, administration and payment of claims in Vhi and he is also responsible for the management and administration of all individual and corporate business. John has a BSc in Computer Applications from Dublin City University *Retired 30th September 2020

Aaron Keogh, Managing Director, Vhi Healthcare

Aaron is responsible for Sales, Retention and Customer Service for all of Vhi Healthcare's Corporate and Individual customers. Aaron joined Vhi in 2003 and has held a wide range of roles within the organisation primarily leading out Vhi Healthcare's award winning sales and customer service teams as well as a variety of roles in business analysis and digital service delivery. Aaron has an MSc in Strategic Management from Dublin Institute of Technology and a BSc in Software Systems Development from the National College of Ireland. He is a Chartered Director of the Institute of Directors.

Adam Lyon, Chief Risk Officer

Adam Lyon is an actuary with over 25 years' experience in insurance and financial services in the UK and Ireland. Adam joined Vhi in early 2013 having previously worked as General Manager of Business Development at Friends First Life Assurance Company. He has a broad range of cross functional experience having had executive responsibility for marketing, sales, finance, product development and customer service functions in previous roles. He is a fellow of the Institute of Actuaries and a fellow of the Society of Actuaries in Ireland.

Margaret Molony, Director, Operations

Margaret Molony has over 30 years' experience in Vhi and is responsible for Insurance Operations in the organisation. Prior to her current role, Margaret held the role of Director – Information Technology within Vhi. She was appointed Director, Operations in 2020. She is also a member of the International Insurance Federation and INSEAD Alumni Association.

Declan Moran, Director, Marketing and Business Development

Declan joined Vhi in 1997 from the life and pensions industry and was appointed to the Vhi Board of Directors in 2008. He served as Acting Chief Executive from November 2011 to July 2012, and as Acting Group Chief Executive from January 2020 to July 2020. He is responsible for Vhi's Customer Proposition including Marketing, Vhi's product portfolio and the development of new products and services. Declan Moran has a BSc in Computer Science and is a Fellow of the Institute of Actuaries since 1994 and a member of the Institute of Directors

Tim McKeown, Director, Strategy

Tim is responsible for facilitating the development of Vhi's corporate strategy and delivering strategic transformation initiatives – including leading our customer transformation agenda and developing innovative solutions to meet the future healthcare needs of our customers within Vhi Health & Wellbeing DAC – where he is a member of the Board. Tim has held a number of other senior management positions in Vhi, including Director of Product & Business Development, CEO Vhi SwiftCare and leading the set-up of a new business unit to develop our portfolio of diversified general insurance products. Prior to joining Vhi, he worked in Belgium for 10 years in both the European Commission and the private sector. He holds a BA in Politics from UCD and an MA in European Policy from UL.

Brian Walsh, Director, Finance

Brian joined Vhi in November 2014 as Director, Finance and was appointed to the Board in March 2015. Prior to joining Vhi, he worked with global food and ingredients company Ornua, based in Los Angeles. Previously, Brian led a successful private equity fund, focused principally on developing pan-European businesses. He has held Board and executive financial and commercial roles in the international financial services, telecommunications and FMCG industries in Europe and the United States with leading companies including Citibank, Deutsche Telekom and eir. Brian is a Fellow of Chartered Accountants Ireland, having qualified with PwC, and is a Chartered Director of the Institute of Directors. He holds graduate and post graduate business degrees from University College Dublin.

Dr. Barry White, Managing Director, Vhi Health & Wellbeing

Dr. Barry White is the Managing Director of Vhi Health and Wellbeing DAC since 2018. Prior to joining Vhi, Barry was a Consultant Haematologist in St. James Hospital (2001–2018), National Haemophilia Director (2001–2018) and the HSE Head of Clinical Strategy and Programming (2009–2012). In addition he has served as Clinical Associate Professor, Trinity College Dublin.

Supporting our patients

In response to COVID-19 our aim was to ensure that our patients could access the care they needed, when they needed it, while prioritising patient health and safety.

Adapting our model of care

We transitioned our SwiftCare Clinics from a drop in service to an appointment led service and we developed a Clinical Call Centre to triage patients for minor illnesses so our patients could be treated in their own homes where possible.

Prioritising patient health and safety

In response to COVID-19, through a range of measures we made our clinical services – Vhi SwiftCare, Vhi Paediatric Clinic & Vhi Hospital@Home COVID-19 safe and continued to offer in person treatment, procedures and care to patients where needed.

Growing our network of healthcare facilities

We opened Vhi 360 Health Centre in Limerick, offering all Vhi customers in the region rapid access to urgent care for minor injury and illness, as well as health and wellbeing services delivered by a multidisciplinary team.

Securing the delivery of clinical services in alternative settings

During COVID-19, we were quick to make arrangements with providers in non-hospital settings so that our customers could continue to access a wide range of treatments including IV and pain control injections and telemedicine consultations.

Chairperson's Review

2020 has been a very challenging year for individuals, businesses and society generally. Vhi has focused on supporting our customers promptly and effectively through the COVID-19 crisis, by maintaining and adapting our services and ensuring we continue to deliver value for our customers. We also assisted where we could in the national response to COVID-19. Despite the many challenges we achieved a solid financial performance.

Unique impact

The impact of COVID-19 on the healthcare sector was unprecedented, enormous demands were placed on frontline healthcare workers and the pandemic tested the capacity of acute and intensive care facilities.

The cancellation and deferral of appointments, screenings and procedures, directly impacted many Vhi customers and patients. This was in part due to curtailed access to private hospitals as the HSE acquired emergency capacity in these facilities for a three month period but also due to the understandable prioritisation of COVID-19 patients in public hospitals. In addition, rolling restrictions for a large portion of the year meant some providers closed or reduced their capacity.

There was a consequent reduction in patient presentations for both hospital and non-hospital services.

In addition, there were affordability challenges for many customers whose incomes were affected by the COVID-19 lockdowns.

Our response

Vhi's response to this emergency was based on our core values: customer driven, integrity, innovation, empowerment and courage. Implementation was rapid and efficient – we kept our own healthcare facilities such as SwiftCare and Hospital@Home open and extended our digital health offerings.

In addition, we provided clinical services in new settings, changing the way we delivered treatment to meet the needs of customers. Our aim as far as possible, was to ensure that our customers were provided with the care they needed, when they needed it.

Where feasible, existing wellness programmes were adapted to work in a socially-distanced context and new services were created and delivered. In some instances, like with the Vhi Health Squad, healthcare experts were made available on a community-wide basis.

Nonetheless, despite all our best efforts, access by our customers to hospitals and other health services was restricted for periods of the year. This resulted in a reduction in claims but we acknowledged this quickly by waiving a portion of premiums for policyholders. Our objective was to treat our customers fairly within, of course, the context of prudent financial management.

It was important too that Vhi stood by customers who were under particular financial stress. Accordingly, we implemented targeted hardship measures as a support.

We also contributed to Ireland's national response to COVID-19, by making our expertise in healthcare purchasing and provision available to the health authorities.

Our people

Our people have been at the heart of our mission to deliver a COVID-19 response that was rapid, measured and effective. We have been conscious of the pressures that went with adapting to fast, dramatic changes in work practices. At all times we tried to support our colleagues and to be sensitive to their concerns for their families and themselves, especially in the early days of the pandemic.

Our first responsibility was to ensure our people's physical safety through a series of measures in our healthcare facilities, including the provision of comprehensive personal protection equipment. We also tried to make it as easy as possible for other colleagues as they transitioned to working from home. In addition we took steps to support colleague's mental health and wellbeing with a focus on helping people to stay connected and in touch.

Whether on the frontline or working from home, our people consistently demonstrated positivity, resourcefulness and a determination to continue to work effectively through the pandemic.

I want to congratulate each and every Vhi colleague for the resilience and dedication they have shown and thank them sincerely for their outstanding efforts in a uniquely demanding set of circumstances.

"Finally, I want to thank our customers for choosing Vhi. We have a unique and cherished bond with our customers through successive generations for more than 60 years."

Paul O'Faherty
Chairperson

Chairperson's Review (continued)

Our Operations

As well as adapting our healthcare services to meet the needs of our customers, colleagues successfully kept our customer service channels fully operational with commendable agility and speed and managed to maintain the normal rhythm of our internal operations – all delivered from spare rooms or kitchen tables across the country.

Throughout, we worked hard to maintain the integrity of our control systems, being particularly conscious of the new risks associated with the changed work environment.

Our Communities

Our purpose is to enable our customers, colleagues and local communities to live longer, stronger, healthier lives and in 2020 we played our part in helping our communities through the COVID-19 crisis.

We launched the Vhi Health & Wellbeing Fund in partnership with the Irish Youth Foundation to support young people from disadvantaged communities throughout Ireland manage their anxiety and build their resilience.

We developed new ways to bring our sponsorships to life so we could support and reward our customers. For example, we created the Vhi Virtual Women's Mini Marathon, which saw almost 23,000 women run, walk and jog 10km over 10 days in October in cities, towns and back gardens around the country raising much needed funds for the charities of their choice.

We held a series of online "parktalks" to support the parkrun community. We adapted our parkrun rewards initiative for customers participating in (not)parkrun, the alternative event developed to meet COVID-19 restrictions.

Long-term strategic momentum

Our customers have consistently told us that they want their private health insurance to provide speedy access to superior health and wellbeing services, supported by excellent customer experience, and enabled through affordable products which are developed for our customers' particular life stages.

Vhi has developed its business strategy to meet and exceed these needs. During 2020, the Vhi Group Board reviewed and re-committed to this business strategy and maintains the view that our chosen strategic direction will best position the organisation to deliver on our vision of helping our customers "live longer, stronger and healthier lives."

While the year was dominated by COVID-19, we did maintain the momentum in the implementation of this long-term vision. An example of this was the opening in December of the Vhi 360 Health Centre in Limerick. This offers our customers in the mid-west convenient and rapid access to urgent care for minor injury and illness, as well as a range of health and wellbeing services and adds to our growing nationwide network of healthcare facilities.

Governance

The Board has continued to refine and enhance its own governance. Importantly during the year, the Board approved the medium-term Diversity and Inclusion Strategy comprising a framework and detailed initiatives which aim to achieve sustained and meaningful change at Vhi.

In addition, the Board initiated and adopted a new People Strategy and supported the development of a Group sustainability programme.

Challenges ahead

There is much uncertainty about the medium and long-term impact of COVID-19 on the healthcare sector. However, it is clear that the affordability of care will remain a fundamental issue – underlying medical inflation continues.

In Ireland's community rated health insurance market a robust risk equalisation scheme – fairly balancing age and health status across the whole insured population – is absolutely fundamental to continuing affordability. Under the current scheme, the costs of insuring older and sicker customers is only partially equalised. Risk equalisation is an established feature of all international community rated markets promoting fair competition, innovation and efficiency to the benefit of all customers.

The Irish Risk Equalisation Scheme is due to be updated in 2022 and this presents an opportunity to establish a more level playing field. Vhi welcomes the current proposed improvements. In particular, we strongly support the establishment of a high cost claims pool which will more fairly share the costs associated with looking after the sickest customers.

More generally, Vhi will continue to lead in the development of new insurance and health service solutions. Our new state-of-the-art facility at Carrickmines in Dublin, scheduled to open early in 2022, exemplifies our confidence in meeting the challenges ahead and points the way to the Vhi of the future.

Board departures and appointments

I was honoured to be appointed Chairperson of the Vhi Board by the Minister for Health early in 2020. I would like to take this opportunity to acknowledge the extraordinary contribution that my predecessor Liam Downey made in his years as Chairperson.

He was instrumental in helping secure Central Bank of Ireland authorisation in 2015, a critical milestone in the history of Vhi. Under his leadership, Vhi refined its strategy, enhanced its governance and control framework and delivered on its year to year business goals. I thank Liam for his dedication and service.

My thanks also to departing Board member Celine Fitzgerald for her valued contribution and years of dedication in guiding the organisation on its continuing journey to enhance our customers' health. We also welcomed four new members, Mike Frazer, Mary Halton, Peter Cross and Karen Furlong each of whom brings a fresh perspective and valuable expertise to the Board. Brian Walsh and Finbar Lennon were reappointed to the Board during the period. I want to thank the entire Board for its commitment and time in an unprecedented year.

Finally, I want to thank our customers for choosing Vhi. We have a unique and cherished bond with our customers through successive generations for more than 60 years. We look forward to strengthening this relationship as Vhi meets the challenges ahead with innovation and ingenuity, embracing change and remaining true to the core values embedded in our strategic vision. We are confident that this approach will ensure Vhi, our people and customers, are well-positioned for the post-pandemic recovery, whatever shape it takes.

Paul O'Faherty
Chairperson

Supporting our colleagues

We prioritised the health, safety and wellbeing of our employees who played a huge role in our response to COVID-19.

Protecting our teams

We acted quickly to ensure our colleague's safety whether working from home, in our offices or our healthcare facilities. Our measures included providing comprehensive PPE supplies for clinical colleagues and setting up initiatives to support physical and mental health and wellbeing.

New ways of working

Our people adapted to new ways of working and transitioned our business to meet our customers' and patients' needs in response to the pandemic. In a reconfigured work environment, we maintained the highest standards of service for our customers and continued to deliver the best patient care.

Celebrating Diversity and Inclusion at Vhi

During the year we marked and celebrated, mainly virtually, many special days at Vhi including International Women's Day, Pride and Mental Health Awareness Week. We also engaged in a comprehensive communication programme with colleagues' right across the organisation making sure colleagues felt connected, supported and engaged.

Operations Review

In a year in which COVID-19 had a devastating impact on society, I am proud of the proactive response of all our people in Vhi who adapted our ways of working and transitioned our business and, crucially, our health and wellbeing operations to meet our customers' needs, in response to the pandemic.

In a reconfigured work environment, we maintained the highest standards of service for our customers and continued to deliver the best patient care. As a result, we have seen growth in our health insurance membership for the sixth year in a row and delivered significant value to customers through a range of targeted initiatives, as well as two premium waivers.

Our consolidated business operations reported a net surplus of €52.7m for the year, compared with €45.1m during 2019. Our capacity to generate funds for reinvestment in the provision of services for our customers is critical to the sustainability of our business.

PMI membership increased to 1,132,000 up from 1,128,000 in 2019. The gross earned premium for 2020 amounted to €1.506 billion, a 6.6% increase (€93m) on 2019. The year on year increase is principally due to robust membership, including high retention rates, the positive impact of a timely response to COVID-19 and the sustained strength of our customer proposition over several years.

Total claims paid in 2020 reached €1.147 billion, down on 2019, which was to be expected given that most of the private facilities were unavailable to our customers for a period of time. In recognition of this, a substantial proportion of premium collected, €265 million in all, was returned to customers through the execution of two premium waivers. The balance was retained to further consolidate the sustainability of the business, support the roll out of the business strategy and its capacity to meet customers' future healthcare needs.

The business continues to be well capitalised with free reserves of €773 million, compared to €701 million in 2019.

"The tenacity, adaptability and 'can-do' spirit demonstrated by our people was at the heart of the organisation's agile and effective response in a uniquely challenging year."

John O'Dwyer
Chief Executive

Prioritising customer health and safety

We ensured our Vhi health services remained open for customers, making our clinical services COVID-19 safe and transitioning our SwiftCare clinics from an 'in person, in clinic' system to a remote healthcare delivery model.

Our objective was to adapt our services and care models to optimise customer access to the greatest extent possible while at all times prioritising the health and safety of our customers and our colleagues.

Not only were existing services adapted, new solutions were developed and delivered. For example, a Clinical Call Centre was created, significantly expanding the numbers of patients that could be treated through Vhi SwiftCare.

We opened the Vhi 360 Health Centre in Limerick, offering all Vhi customers in the region rapid access to urgent care for minor injury and illness, as well as health and wellbeing services delivered by a multidisciplinary team.

New telemedicine and online services were introduced making it possible for our customers to get treatment even while hospital care was harder to access. Delivered by our Online Health Team, these initiatives included our new, enhanced Online GP service, the 24/7 mental health support line and the 24/7 NurseLine.

A new digital wellness initiative was launched which customers could access from their homes. Two highlights of the initiative were: Well@Home which offered our customers a home delivery service for prescriptions, clinical supports and wellbeing checks; and Vhi Health Squad which offered an eight-week virtual health and wellbeing programme which we also made available to the general public.

Established services, such as our Vhi app, the MyVhi service and web chat, all remained fully functioning throughout the year.

Operations Review (continued)

Ensuring Value for customers

Vhi exists to meet the healthcare needs of our customers, never more so than at a time of crisis. From the onset of the pandemic, our core focus was on how to best serve our customers and our patients and their changing needs. Delivering value to customers is and always will be a priority.

We twice waived a portion of premiums for our health insurance policyholders. A reduction in claims was anticipated as early as April when the decision was taken to waive an average of 50% of the premium for all customers for a three-month period. This was in recognition of the restricted access for customers to private hospitals during the second quarter that came about as a consequence of the HSE taking capacity in private facilities and the prioritisation of COVID-19 treatment in public hospitals.

A second waiver was announced at the end of the year to return additional value to customers as a result of lower than anticipated claim levels. We are the only private health insurance company in Ireland to waive a portion of premiums twice and this amounted to a return worth €265 million to our customers.

In April, Vhi introduced a range of supports for private health insurance customers who found themselves in difficult financial circumstances as a direct result of COVID-19. A specialist team of advisers was established which delivered supports for customers based on their individual circumstances.

Other Insurance Services

As well as being Ireland's largest provider of private health insurance, Vhi provides a range of other insurance services to customers including travel, international health, dental and life.

Overall, these insurance offerings proved resilient with nearly 350,000 customers choosing to purchase another insurance product from Vhi in 2020. Our travel insurance products suffered significant disruption, with the collapse in international travel resulting in the loss of approximately 100,000 customers. The outlook for travel insurance for the year ahead remains challenging. Our dental business continued to perform strongly, growing by 9%, while our life insurance customer numbers grew by 29%.

Vhi introduced a range of initiatives across our product range to assist customers during the pandemic, including price reductions and free policy extensions for Vhi MultiTrip customers and premium waivers for Vhi Dental customers, as well as other assistance measures for those experiencing financial difficulties.

Partnering with providers

We worked closely with hospitals, consultants and their representative groups to safely navigate the pandemic. With hospital capacity greatly reduced across the system, Vhi moved rapidly to establish arrangements with providers in ambulatory care settings away from acute hospitals so that our customers could continue to access a wide range of treatments.

Our commitment to ensuring customers had access to the latest innovative treatments, medicines and technologies in the most cost-effective manner remained steadfast throughout 2020. We approved several new indications for a range of high cost drugs previously approved as well as new branded drugs including Onivyde Pegylated Liposomal for the treatment of metastatic adenocarcinoma of the pancreas and the oncology drug, Imfinzi.

We were pleased to extend cover to our customers in the new cardiac catheterisation laboratory in UPMC Whitfield in Waterford, underlining our determination to adhere to our strategic long-term healthcare objectives.

Tenacity and adaptability

In responding to the challenges presented by COVID-19, it was essential to ensure the health and safety of our colleagues.

We developed an ambitious strategy that sought to support our people as much as possible, enhance organisational capability and transform delivery of our products and services.

Given the pressures on colleagues working in frontline roles, the uncertainty that accompanied the pandemic and the move to remote working for those who were office-based, frequent communication was essential to ensure that colleagues felt connected, supported and engaged.

The health and wellbeing of our people remained a paramount consideration throughout the year. To provide practical and accessible support, a dedicated wellbeing hub was launched and our series of Corporate Wellness Ambassador talks moved online. These proved particularly helpful, providing motivational sessions on a range of health topics including mental wellbeing.

The tenacity, adaptability and 'can-do' spirit demonstrated by our people was at the heart of the organisation's agile and effective response in a uniquely challenging year.

Beyond COVID-19

Throughout 2020, patients and healthcare providers alike embraced innovative healthcare delivery, such as telemedicine and remote supports, as never before.

At Vhi, we are accelerating our investment in IT and innovation so that we can build on these advances and continue to provide the highest standards of care for our customers into the future.

The events of the past 12 months have shown the relevance and value in Vhi's vision of an integrated insurance and healthcare offering that makes a meaningful difference to people's health and wellbeing. The next landmark step in the realisation of that vision will take place early next year with the completion of our new state-of-the-art healthcare facility in Carrickmines in Dublin. This five-storey building will be a leading centre of excellence in healthcare in Ireland and its opening will signal the beginning of the next stage of our journey.

We recognise and acknowledge the support of our customers, particularly during this unprecedented year. We extend our grateful thanks to them for continuing to place their trust in us across generations of families.

In conclusion, I want to thank everyone at Vhi for their outstanding response to the challenges of 2020. In a year of uncertainty and disruption, the professionalism and dedication of our people ensured Vhi continued to maintain the highest standards across all our insurance and healthcare services, driven as always by the goal of helping our customers live longer, stronger, healthier lives.

John O'Dwyer

John O'Dwyer
Chief Executive

as of 30 March, 2021

Key Financial Results

Gross Earned Premium
€1.506bn

Gross Claims Paid
€1.147bn

Net Surplus
€52.7m

Reserves
€773m

Supporting our communities

As part of our sustainability programme we are committed to helping our local communities live longer, stronger, healthier lives and we brought this to life through a number of community initiatives.

10km over 10 days all over Ireland

We helped our community of runners stay connected by transforming the Vhi Women's Mini Marathon into a virtual event. Almost 23,000 women ran, walked and jogged 10km over 10 days in October in cities, towns and back gardens raising funds for the charities of their choice.

Vhi Health & Wellbeing Fund helps young people manage their anxiety

We launched the Vhi Health & Wellbeing Fund, in partnership with the Irish Youth Foundation, to support young people from disadvantaged communities manage their anxiety and build their resilience, with an emphasis on early intervention and prevention work.

Vhi Health Squad supports customers and the wider community

Over 27,000 people registered for our Vhi Health Squad digital lifestyle programme which was developed for customers and non-customers, to support the wider population in managing their health in a holistic way during these particularly challenging and unprecedented times.

Vhi House becomes home to Irish Honey Bees

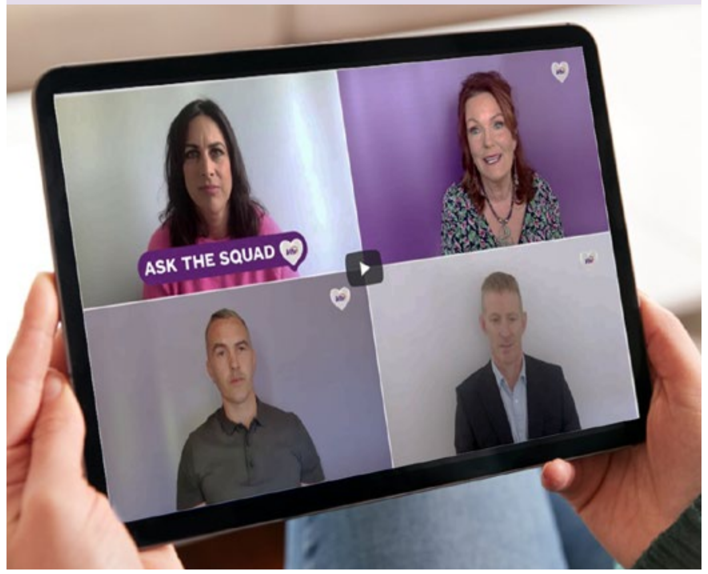
In 2020 Vhi became members of the Dublin City Bee Keepers Association and home to more than 100,000 Irish honey bees. The initiative was developed to contribute to biodiversity in inner city Dublin and efforts to save the Irish honeybee.

When you need us, we're there

A snapshot of initiatives in 2020 for our customers, patients, colleagues and communities.

Vhi Health Squad provides expert advice

This expert led online programme took a holistic approach to health and wellbeing, providing mindfulness, fitness, nutrition, sleep, environment, financial and parenting support.



Vhi Health & Wellbeing Fund

In partnership with the Irish Youth Foundation and seven time All Ireland winner & Dublin player Philly McMahon, Vhi launched the Vhi Health & Wellbeing Fund.

Celebrating Pride in our people

Vhi marked Pride in a virtual way to embrace and celebrate the importance of inclusion and diversity.

International Women's Day

Celebrating IWD and the launch of the Women's Network in Vhi.

*This photo was taken pre COVID-19 restrictions.

Staying in touch

Through an outbound telephone campaign, Vhi supported the healthcare needs of more than 10,000 customers who were cocooning.

Growing our network nationwide

The Vhi 360 Health Centre in Limerick opened, offering Vhi customers in the region rapid access to urgent care for minor injury and illness, and new health and wellbeing services.

Directors' Report for the Financial Year ended 31 December 2020

The Directors present their 64th Annual Report in accordance with section 20 (1) of the Voluntary Health Insurance Act 1957. The Accounts of The Voluntary Health Insurance Board ("Vhi Board") and the related notes which form part of the Accounts are included in this report, and have been prepared in accordance with accounting standards generally accepted in Ireland and in accordance with the European Union (Insurance Undertakings: Financial Statements) Regulations 2015.

Principal activities

The Vhi Board was established under the Voluntary Health Insurance Act 1957 to act as a Statutory Body to undertake the business of writing private medical insurance in Ireland. The Voluntary Health Insurance (Amendment) Act 2008 was enacted to facilitate the statutory reorganisation of the Vhi Board. Vhi Insurance DAC was incorporated as the private medical insurance underwriting entity and Vhi Healthcare DAC was incorporated as the retail intermediary for sale of private medical and other insurance offerings ("Regulated Entities"). The Vhi Board also operates medical provision services, including Vhi SwiftCare urgent care clinics, Vhi Hospital@Home, Vhi Medical Screening and other health and wellbeing services through its Vhi Health and Wellbeing DAC subsidiary company.

Business Review and Results

The consolidated results for the year ending 31 December 2020 are set out in the Income and Expenditure account shown on page 36. The consolidated Vhi Board surplus after tax for the year is €52.7m (2019: €45.1m).

During 2020, Vhi continued to invest in healthcare benefits and services for its customers. This is achieved through product innovation, benefit development and enhancing customer insurance, healthcare and engagement platforms. During 2020, Vhi invested in new medical benefits and additional dedicated services including Well@Home which was developed specifically to meet the needs of those who had been advised to self-isolate during the current COVID-19 crisis by offering them a personalised general wellbeing check-up together with a comprehensive range of clinical supports from the comfort of their own home. In addition to this, a number of new digital clinical services were launched during the year and are available to all Vhi customers at no additional cost. These include physiotherapy, access to a dietician and speech and language therapy.

Vhi also introduced measures in recognition of the issues and challenges facing customers as a result of the ongoing COVID-19 public health crisis. These included a waiver of premium by an average of 50% for a 3 month period (mid-May 2020 to mid-August 2020) for Vhi private health insurance customers, a series of hardship measures for customers who found themselves in difficult financial circumstances as a direct result of COVID-19, a waiver of 30% of the premium for customers with Vhi Dental insurance, reducing the price of an annual Vhi MultiTrip policy and an additional six months cover at no extra charge to all customers insured on Vhi MultiTrip on 31 December 2020.

A comprehensive review of business transacted during the year is contained in the Chairperson's Review and CEO's Operations Review.

Future developments

The Directors are satisfied with the conduct of business for the year and will continue to invest in healthcare and customer services for its customers. Vhi customer access to private healthcare continues to be adversely impacted by the effects of the pandemic, contributing to uncertainty regarding near-term healthcare claims costs and related business performance. The Board are monitoring developments closely and will continue to seek to assure prudent conduct of business and fair customer outcomes.

Directors' compliance statement

We, the Directors of the Vhi Board, acknowledge that we are responsible for securing compliance with applicable laws and regulations relevant to the business operations of the Vhi Board and its subsidiary companies.

Vhi's objective is to conduct business in accordance with both the letter and the spirit of the relevant regulatory and compliance related laws, regulations and codes that apply to its regulated activities, as well as Vhi internal compliance policies and standards and to act with integrity, honesty and fairness in dealing with our customers and other stakeholders. Vhi's values are Customer Driven, Integrity, Empowerment, Innovation and Courage.

Our Compliance Policy sets out the scope, philosophy and approach to the management of conduct and regulatory compliance risk within Vhi.

We are committed to taking all reasonable steps to ensure that the Vhi Board complies with all relevant laws and regulations applicable to our business operations. In this regard, as required by section 225 of the Companies Act 2014, the Directors confirm in respect of the companies that these apply to, that:

- a compliance policy statement has been drawn up setting out Vhi's policies in respect of its compliance with its defined obligations;
- there are in place appropriate arrangements and structures that are designed to ensure Vhi's material compliance with its relevant obligations; and
- those arrangements and structures were reviewed in the financial year ended 31 December 2020.

The governance arrangements adopted by Vhi include:

- a clear organisational structure;
- well defined transparent and consistent lines of responsibility;
- effective processes to identify, manage, monitor and report risks to which we are or might be exposed;
- adequate internal control mechanisms that include sound administration and accounting procedures;
- IT systems and controls; and
- remuneration policies and practices that are consistent with and promote sound and effective risk management.

Corporate Governance

The Group is committed to maintaining the highest standards of corporate governance. The Board is required to comply with the Code of Practice for the Governance of State Bodies, revised by the Department of Public Expenditure and Reform during 2016 (the 'State Code'). The Directors have put in place measures to comply with the State Code, including agreement with the Department of Health to incorporate certain required disclosures in the Chairperson's Comprehensive Report of the Voluntary Health Insurance Board issued annually to the Minister for Health.

Vhi Insurance DAC, a subsidiary company within the group, as an authorised non-life insurance undertaking, is required to comply with the requirements of the Central Bank of Ireland's Corporate Governance Requirements for Insurance Undertakings 2015. The Directors confirm compliance with the requirements of the corporate governance codes applying to Vhi.

During 2020, the Board commenced a review of the group's systems and structures of governance and expects to implement changes during 2021.

Board of Directors:

The Directors of the Board at 31 December 2020 are listed on page 4 and 5 and in the table below. The roles of Chairperson and Chief Executive are separate. All Directors are appointed by the Minister for Health. The Board held fourteen meetings during 2020, and has a formal schedule of matters specifically reserved to it for decision which includes approval of the overall strategic plan, annual operating plans, annual report and financial statements and major corporate activities. Board papers are sent to each member in sufficient time before meetings. Appropriate training and briefing is available to all Directors on appointment to the Board, with further training available subsequently, as required. The Directors may take independent professional advice. All Directors have access to the advice and services of the Secretary and Directors' liability insurance cover is in place. The Board has undertaken an evaluation of its performance.

Directors' Report for the Financial Year ended 31 December 2020 (continued)

Board and Board Committee Members' attendance at meetings held during the financial year:

	Board		Audit Committee		Remuneration Committee		Risk Management & Compliance Committee		Nomination Committee	
	A	B	A	B	A	B	A	B	A	B
Liam Downey (retired 14 March 2020)	2**	2			2^{Δ}	2			1^{Δ}	1
Paul O'Faherty	2+12**	14	1^{Δ}	1	$8^{\cap}$	8	$2^{*\Delta}$	2	$4^{\cap}$	4
John O'Dwyer	5	14					4	8	3	5
Brian Walsh	14	14								
Celine Fitzgerald (retired 21 February 2020)	1	1			$2^{*\Delta}$	2			$1^{*\Delta}$	1
Dean Holden	14	14	1+3*	4			8	8		
Declan Moran	14	14					8	8		
Finbar Lennon	14	14	4	4	$8^{\cap}$	8			$4^{\cap}$	4
Greg Sparks	14	14	$1+1^{*\Delta}$	2						
Joyce Brennan	14	14			2+8*	10	2+6*	8	1+4*	5
Mary Halton (joined 26 June 2020)	6	6	$2^{\cap}$	2						
Mike Frazer (joined 26 June 2020)	6	6					$4^{\cap}$	4		

*Chairperson of Committee **Chairperson of the Board $^{\Delta}$Retired during 2020 $^{\cap}$Appointed during 2020

There were some changes to the Board of Directors during 2020. Liam Downey, Chairperson of the Board, retired on 14 March 2020 and Celine Fitzgerald retired on 21 February 2020. Paul O'Faherty took up the role of Chairperson from 15 March 2020. Brian Walsh and Finbar Lennon were re-appointed to the Board by the Minister for Health, following the expiry of their initial terms of appointment. Two new directors, Mary Halton and Mike Frazer, were appointed to the Board on 26 June 2020. The final two vacancies on the Board were filled on 28 January 2021 with the appointment of Karen Furlong and Peter Cross. Declan Moran was appointed Acting Chief executive for a period during 2020 and took up that role again, following year-end, with effect from 30 March 2021."

Column A: The number of meetings attended during the period that the Director was a member of the Board and a member of the committee
Column B: The number of meetings held during the period that the Director was a member of the Board and a member of the committee

Audit Committee

The Directors have established an audit committee to assist in the execution of its responsibilities.

As at 31 December 2020 the Audit Committee consisted of three non-Executive Directors. It meets at least four times a year and reviews the annual accounts, certain regulatory filings, internal control matters and the effective conduct of internal and external audit. The Audit Committee also makes recommendations to the Board in relation to the appointment of the external auditors and assesses their objectivity and independence. The external audit plan and findings from the audit of the financial statements are also reviewed. The main roles and responsibilities of the Audit Committee are set out in written terms of reference.

The Audit Committee has a policy and process in place to ensure the independence of the external audit is not compromised, which includes monitoring the nature and extent of services provided by external auditors through its annual review of fees paid to the external auditors for audit and non-audit services.

Nomination and Remuneration Committees

Board appointed Nomination and Remuneration Committees are also in place. The Chairperson and two non-Executive Directors sit on each of the Committees. In addition, an Executive Director (the CEO) also sits on the Nomination Committee. On behalf of the Board, the Nomination Committee is responsible for monitoring and making recommendations on the composition of the boards of group entities, making proposals for succession planning for its membership and for identifying and recommending executive and non-executive candidates for appointment to senior executive and Board positions. The Remuneration Committee is, on behalf of the Board, responsible for ensuring that the Company's overall performance management and reward philosophy, the organisation's design and structure and succession planning are consistent and aligned with the Company's strategic objectives.

Risk Management and Compliance Committee

The Risk Management and Compliance Committee comprise non-Executive and Executive Directors. Its purpose, on behalf of the Board, is to ensure an effective risk management and compliance framework is in place. In particular, its role is to oversee, review and monitor the operation of the compliance and risk management systems.

Internal Control

The Board has given effect to Internal Control recommendations issued by the Central Bank of Ireland: Guidance for Directors on the Corporate Governance Requirements for Insurance Undertakings 2015, as well as the Code of Practice for the Governance of State Bodies. The Directors are responsible for the Board's system of internal control and for reviewing its effectiveness and is supported in this responsibility through regular meetings of the Audit Committee. They have delegated responsibility for the implementation of this system to Executive Management on a day-to-day basis.

The system of internal control provides reasonable, but not absolute, assurance of the safeguarding of assets against unauthorised use or disposition and the maintenance of proper accounting records and the reliability of the information they produce, for both internal use and publication. The Board is satisfied that there is a sound system of internal control in place.

The key elements of the system are:

- the Internal Audit function prepares an Internal Audit plan which is approved by the Audit Committee. Internal Audit reports to the Audit Committee on an ongoing basis;
- formal policies, procedures and organisational structures which support the maintenance of a strong control environment;
- a comprehensive set of management information and performance indicators is produced on a monthly basis. This enables progress against longer term objectives and annual budgets to be monitored, trends to be evaluated and variances to be acted upon. Detailed budgets are prepared annually in the context of longer term strategic plans and are updated regularly;
- the business strategy, planning and budgetary process includes analysis of the major business risks which affect the organisation. Risk assessment is a continuous process on which the Board places significant emphasis;
- accounting procedures are documented, transaction cycles are defined, accounting timetables are detailed, automated interfaces are controlled, review and reconciliation processes are carried out, duties are segregated and authorisation limits are checked; and
- experienced and qualified staff have been allocated responsibility for all major business functions.

Directors' Remuneration

Annual remuneration levels for the Chairperson and each non-Executive Director have been set by the Government at €31,500 and €15,750, respectively, with effect from 1 January 2015. The Executive Directors do not receive a Board fee under the One Person One Salary (OPOS) principle.

Going Concern

The accounts of the Vhi Board have been prepared on a going concern basis and the Directors have satisfied themselves that the Board will have adequate resources to continue in operational existence and to meet solvency requirements for the foreseeable future. In forming this view, the Directors consider that it is appropriate to do this on the basis that projections for future years are prepared which take account of reasonable foreseeable changes in trading performance. Stress test assessments, strong governance structures in place, satisfactory operating results and capital position during 2020 further contributed to this assessment.

Principal risks and uncertainties

The principal risks and uncertainties of Vhi Board have been determined by assessing potential risks to capital, strategy, operations and people, conduct and culture and Vhi's risk tolerance levels are recorded in the Risk Appetite Statement approved by the Board of Directors.

Vhi's principal risks are monitored and managed by Executive Management and are reported to the Board of Directors on a regular basis. They are summarised below.

a. Risks from inadequate Risk Equalisation in a Community Rated market

Risk equalisation is a process that aims to spread claims costs of the higher health risk policy members amongst all the participants in the private health insurance market. In circumstances where the risk equalisation system is not fully effective there is a threat to the effective operation of the community rated market. Risk equalisation is a common mechanism in countries with community rated health insurance systems. The Risk Equalisation Scheme in Ireland, in the view of Vhi, remains only partially effective and threatens the operation and sustainability of the community rated market. Significant differences in risk profiles exist between the competing insurers in the Irish market, which is community rated. In addition, it places insurers covering a disproportionate share of higher health risk policy members at a competitive disadvantage with attendant risk to capital, value and sustainability.

Directors' Report for the Financial Year ended 31 December 2020 (continued)

b. Risks from ageing population
An ageing population leads to increased demand for medical treatment and associated higher staffing and other input costs. This may lead to increased private medical insurance policyholder costs with resulting impacts on voluntary private health insurance affordability and limits on the growth of the associated market.

c. Risks from medical inflation
Medical inflation results from the development of new technologies, drugs and treatments as well as increases in labour and other input costs. The combination of medical inflation and population ageing lead to increased demand for and cost of medical treatment. Vhi projects that medical inflation will outpace general inflation and this presents risk to private health insurance affordability and growth of the voluntary private health insurance market.

d. Risks from legislative and regulatory changes
Private medical insurance and associated healthcare services providers in Ireland are subject to EU and Irish legislation and regulation. There are risks that legislative or regulatory changes affecting the operation of private medical insurance and healthcare services markets may cause increases in private medical insurance policyholder cost or impose material additional costs on insurance or healthcare service providers including, but not limited to, public hospital charges for holders of private medical insurance.

e. Investment market risk
Vhi is exposed to a range of risks in relation to its investment portfolio. These include:

- market risk where reductions in investment values are not matched by changes in the value of our liabilities. Market risk is influenced by geopolitical and macro-economic risk;
- credit risk where our counterparties fail to meet all or part of their obligations; and
- liquidity risk where the timing of payments and availability of cash resources are mismatched.

Vhi principally invests in high quality debt securities whose term matches the short-term nature of our liabilities, in accordance with prudent investment policies that are implemented by management, monitored by the Investment Committee and regularly reported to the Board.

f. Insurance risk
Vhi is exposed to the risk that its premium pricing or claims reserves may not align to levels determined in its Risk Appetite Statement due to the volatility, severity, frequency and timing of claims. Vhi implements and monitors a range of mitigants and controls to reduce uncertainty and reduce the impact of this risk on pricing, reserving and capital. These include close communications with our medical providers and actuarial analysis, as well as the implementation of the Memorandum of Understanding, an agreement with Public Hospitals facilitating early identification of claims events.

g. Cyber and data protection risk
Data protection is important to Vhi. Vhi recognises that there have been several high profile cyber security incidents in Ireland and elsewhere, and these are likely to continue in the future as cyber criminals become ever more sophisticated. Vhi invests in IT security to protect our data, and detect and prevent cyber-attacks and undertakes regular activities with personnel to promote awareness of cyber and data security.

h. Clinical risk
In order to manage clinical risk in its health and wellbeing operations Vhi promotes a culture of excellence in patient/member experience and safety, where our clinicians are trained to specialist standards and our clinical services and facilities are accredited by international accreditation programmes. Management and monitoring of clinical risk focuses on patient outcomes, patient safety, infection control, patient experience feedback and the management of deteriorating patients. Vhi introduced a number of measures in respect of COVID-19, including new appointment based services and increased use of digital health technologies to support our patients' and members' health care. The pandemic will continue to influence the development of our health and wellbeing business and clinical risk.

i. COVID-19
Vhi continues to actively assess and manage the risks associated with COVID-19. In 2020 the Board of Directors and staff of Vhi took a number of actions focused on assuring business continuity and care for our customers, staff, healthcare partners and other key stakeholders.

In March 2020, the Irish Government announced approval of a framework agreement with the private hospitals whereby acute private hospitals operated effectively as public hospitals under Section 38 of the Health Act, 2004 for a three month period. Vhi continues to work closely with the Department of Health, the HSE, the private hospital operators and medical consultants to support the Government in this time of national crisis. In January 2021, a new arrangement was agreed between the HSE and the private hospitals whereby private hospitals would provide treatment to non-COVID-19 patients of the public hospitals.

Looking ahead into 2021, COVID-19 continues to have a significant impact on the risk profile of the business and we anticipate impacts of COVID-19 will continue beyond the disruption of the pandemic itself. There is a continuing risk that changes in public health provision as well as regulations and political developments could reduce access to private healthcare. This, with the risks of economic contraction and higher healthcare costs, present threats to the attractiveness and affordability of private medical insurance and the size of the market. Our strategic plans take account of these and other related developments including shifts in the delivery and settings of healthcare caused or accelerated by the pandemic. However, the pandemic has the capability of disrupting our business environment and change programmes.

The costs of COVID-19 treatment and prevention are borne by public health authorities. However, the likelihood of such and similar pandemics is an important risk consideration for our business. Whilst public utilisation of private healthcare facilities has kept claims low there are increased underwriting risks from higher uncertainty. These risks include the incidence of pent up demand, disruption to claims development, costs of long-COVID and uncertainty over future treatment costs as healthcare facilities have to accommodate new infection control procedures.

COVID-19 was a significant business disruption risk event resulting in remote working for most staff and more fundamental changes for our front line medical staff. We continue to manage risks to staff safety and wellbeing as a priority as we manage the business through the phases of the pandemic and move to changed ways of working in its aftermath. Whilst the business has adapted to these circumstances there remain changes to the nature of some of our operational risks such as business disruption and system failure recovery.

The disruption to health services in public and private hospitals and the travel industry brought about by COVID-19 affected the value of our health and travel insurance propositions. Vhi took a number of steps throughout 2020 to ensure customers were treated fairly and we were clear and timely in our communications. We continue to monitor these risks as the pandemic situation evolves and undertake measures to ensure we keep customers at the heart of our business.

j. Other risks
Vhi is also subject to a range of other risks, including operational risk (the risk of human, systems or process failure), strategic risk (the risk that the incorrect strategy may be adopted by the Board or its execution is unsuccessful) and conduct risk (the risk of unfair customer outcomes). These are also important risk categories that are actively monitored and managed to ensure the business operates within the Risk Appetite set by the Board.

Environmental matters

Vhi's energy efficiency and energy management programmes are informed by national public sector obligations with regard to energy management and energy efficiency. The National Energy Efficiency Action Plan (NEEAP) set a target in 2009 for the public sector to improve its energy efficiency to 33%. In accordance with the NEEAP and Statutory Instrument 426 (SI 426) Vhi is required to be an exemplar with regard to energy management and to report energy management and performance data to the Sustainable Energy Authority of Ireland (SEAI) on an annual basis. Vhi's energy efficiency is reported and monitored each year by SEAI from the baseline year of 2009 to 2020. Based on 2019 final energy consumption data, Vhi has improved energy efficiency by 36.6% since 2009 and reduced its overall Carbon Footprint by 29% (721,855kgCO_2).

The Climate Action Plan obliges the public sector to develop a strategy to achieve at least a 50% reduction in carbon dioxide equivalent (CO_2 eq.) emissions by 2030 and a 50% improvement in energy efficiency.

Energy saving actions undertaken in 2020, together with existing energy conservation measures, provided estimated total annualised energy savings of 134,600kWh and reduced the environmental impact of energy use by 51,660kgCO_2. Vhi is compliant with the Waste Management (Amendment) Act 2001 surrounding waste management and only uses licenced and permit approved Environmental Protection Agency (EPA) waste service providers for the disposal of waste.

Vhi is committed to constant improvement of the waste management programme following the guidelines set out by the National Waste Prevention Programme (NWPP). The majority of Vhi's waste is general office waste; split into general waste, recyclable, confidential recyclable and compost to ensure Vhi segregate as much waste as possible and reduce the requirement for landfill. We estimate that over 1,800 trees were saved from deforestation by recycling confidential papers with over 210m^3 recycled in 2020.

Directors' Report for the Financial Year ended 31 December 2020 (continued)

In relation to Vhi's healthcare services, all clinical and hazardous waste comply fully with the IPC PP 109 Guidelines on the Segregation and Disposal of Healthcare Risk and Non-Risk Waste.

Vhi engage a DGSA (dangerous goods safety advisor), DCM Compliance, to audit Vhi's compliance with the European Communities (Carriage of Dangerous Goods by Road and Use of Transportable Pressure Equipment) Regulations and associated amendments. Vhi are also audited annually by the DGSA and Dublin City Council who audit Vhi's compliance with the storage of clinical waste and reporting on clinical waste volumes.

Vhi removed all single use plastic cups, straws and cutlery from all offices in 2019. This resulted in the removal of over 650,000 individual plastic items going to landfill and the energy used to manufacture these products.

Our facilities utilise modern environmental engineering solutions to reduce our impact on the overall environment with the use of rainwater harvesting systems installed to new toilet facilities, reducing the need for treated water and volumes in surface water and combined water sewer system in Dublin and Kilkenny offices. An upgrade to smart technology on all new photocopying machines has reduced the volume of paper being printed. Vhi invested in audio visual meeting room technology to reduce the requirement for travel and paper information at meetings.

Employee matters and respect for human rights

Vhi has developed a comprehensive and ambitious People Strategy for 2020–2025. Vhi's Respect at Work and Divesity & Inclusion (D&I) policies are central pillars of the Group's ongoing respect for employees. The Respect at Work policy's objective is to ensure that all employees' rights to a working environment free from harassment and bullying are maintained. The objective of our D&I policy is to ensure our workplace is an environment where each person feels welcomed, treated equally and fairly and the views and opinions of everyone are valued, respected and heard.

It is important to Vhi that the organisational values of Customer Driven, Integrity, Empowerment, Innovation and Courage are deeply embedded within the Vhi culture and all people management practices. During 2020, value champion awards were run to recognise employees that demonstrated the core values of Vhi.

Employee engagement and feedback is very important in Vhi and a biannual employee survey is carried out with results and actions communicated accordingly. In addition to the biannual survey, Vhi ran a number of Pulse Surveys throughout 2020 to measure and evaluate employee sentiment. It was particularly important to Vhi to seek regular feedback from employees during 2020 as it was a year that saw the majority of employees transition to working from home at short notice as a result of the COVID-19 pandemic.

During 2020, Vhi's employee turnover rate was 5% (2019: 8%) with the average tenure being 12 years.

Employees are made aware of Vhi's internal code of conduct expectations through the Board approved 'Code of Conduct' policy. The Board approved 'Speaking-Up' policy sets out the framework for enabling employees within Vhi to raise genuine concerns and speak up in confidence about possible improprieties and puts in place a framework for appropriate and independent investigation and follow-up action. Vhi recognises a Trade Union for collective bargaining purposes and has a collective agreement in place in the event of an employee dispute with the company. Vhi also recognises union representation in disciplinary matters under Disciplinary and Grievance process agreements.

Diversity and inclusion

Vhi's vision is to help customers live longer, stronger and healthier lives and we believe that our people should reflect and mirror the diversity of our customers and wider society. To this end, we are committed to creating a positive work environment where each person feels welcome and is treated equally and fairly and where each person and each person's views and opinions are valued, respected, supported and heard (Vhi Diversity & Inclusion Policy). The Board is committed to the highest standards of corporate governance, transparency and accountability. It recognises that diversity of skill sets, experiences, qualifications, gender and background help to maximise and balance the decision making process and reduce behaviour and culture risks. Furthermore, the Board recognises the key role that an inclusive culture plays in ensuring that the potential of diversity at Board level is realised.

The Board's Diversity Policy for Board Appointments and Membership has been in place since 2015 and is updated regularly. The Nomination Committee, on behalf of the Board, reviews Board composition no less than every three years and recommends the appointment of new directors as appropriate and in line with the Board Skills Matrix, Central Bank guidance as well as the new Annex to the State Code on Equality, Diversity and Inclusion. The Board aims to comprise of a balance of male and female directors from a diverse range of backgrounds with a broad range of skills, expertise and experience. The Board recognises the role of the Minster in appointing members to the Board and will seek to support the Minster with regard to achieving the required minimum 40% representation of each of female and male directors on State Boards. The Board is committed to achieving 40% gender representation on Vhi's subsidiary boards.

Vhi's organisational Diversity & Inclusion policy sets out our promises to our employees in the areas of:

- Respect and dignity at work
- Equal treatment and protection from discrimination
- An inclusive work environment
- Flexible working arrangements
- Continuous development
- Personal support

In 2018, Vhi established a Diversity & Inclusion Steering Committee chaired by the CEO. While 2020 was a particularly challenging year, the work on fostering a diverse and inclusive organisation never stops and was never more relevant. During the year the Board approved a medium-term Diversity & Inclusion strategy. A key component of this strategy involved the development of an Inclusivity Scorecard with KPIs under each of the three pillars of our programme. 2020 also saw the approval of a new People Strategy, a critical enabler of Vhi's Diversity & Inclusion strategy. The approval of the People Strategy provides a framework and prioritises initiatives key to ensuring sustained and meaningful change at Vhi from a Diversity & Inclusion perspective. Diversity and Inclusion also form part of the Workplace/Colleague pillar of Vhi's Corporate Social Responsibility ("CSR") strategy which ensures alignment of the overall D&I strategy with our CSR ambitions.

Some of the key initiatives undertaken in 2020 include:

- **Employee Communications and Engagement**
  The programme worked to ensure all employees remained engaged, connected and included.
- **Launch of Women's Network**
  The Vhi Women's Network was launched on 6 March to coincide with celebrations for International Women's Day.
- **Pride 2020**
  Pride was celebrated in June with a webinar on building a diverse and inclusive workplace and the creation of a Vhi Pride flag featuring pen pictures of employees.
- **World Mental Health Day**
  'Be Kind To Your Mind Week' ran from 12 October and each day had a specific theme.
- **Vhi Voices Choirs**
  Virtual choir sessions took place during the year and two Christmas songs were recorded and shared with colleagues in December.
- **IMI cross-company mentoring programme**
  Of the four participants on the programme in 2020, three are female.

In addition, the Diversity & Inclusion Steering Committee completed a gap analysis against the Central Bank's Thematic Assessment of Diversity & Inclusion in Insurance Firms as well as an analysis of Vhi's PCF applications since 2014. This work, coupled with the new requirements set out in the Annex on Equality, Diversity and Inclusion to the Code of Practice for the Governance of State Bodies, has informed our Diversity & Inclusion Plan for 2021 under the three pillars of our programme:

- **Pillar 1**
  Awareness and Understanding of D&I/Culture of Inclusion - we will learn and educate ourselves and our colleagues on what it means to be a diverse and inclusive organisation; we will build transformational leadership and empowered management; we will articulate and demonstrate the behaviours that underpin our objectives in this regard.
- **Pillar 2**
  Future of Work - we will focus on new and flexible ways of working; we will design and implement a structure that fosters collaborative working, quick decision-making at every level and where everyone understands their role and responsibilities and how this contributes to our collective success; we will ensure that in the overall return to the office, no employees are left behind.
- **Pillar 3**
  Developing our People and the Talent Pipeline - we will focus on developing our people so that they are resilient and adaptable; we will focus on building our talent pipeline, particularly female talent, which is currently inadequately represented at senior levels; we will develop and launch a range of leadership and management development programmes including a Women in Leadership programme to support and develop female talent; we will ensure our colleagues are supported to develop the skills and capabilities they need to be successful in their roles and to achieve their full potential; we will encourage a growth mind-set in all our colleagues to embrace continuous lifelong learning through formal and informal development and education.

While the external environment will continue to be challenging in 2021, we will continue to encourage and support diversity of thought, experience and approach, and fostering a culture of inclusion and collaboration across the Vhi group.

Directors’ Report for the Financial Year ended 31 December 2020 (continued)

Bribery and corruption

Vhi are committed to ethical conduct and adherence by employees and directors to the highest business ethics, professional and legal standards. Vhi’s ‘Code of Conduct’ policy sets out principles to guide employees and members of the Boards of Directors in their day to day Vhi business conduct with specific reference to fraud, corruption, bribery and blackmail.

Vhi seek to ensure adequate, effective and cost efficient internal controls. Audit processes exist to ensure that the Internal Control Framework is implemented in compliance with the Internal Control Policy.

The Code of Conduct, along with the other aforementioned policies, is brought to the attention of all employees during induction by the HR Function and on appointment to members of the Boards of Directors by the Company Secretary.

Prompt Payment of Accounts

The Board acknowledges its responsibility for ensuring compliance with the provisions of the Prompt Payment of Accounts Act 1997 (as amended by the European Communities (late payment in commercial transactions) Regulations, 2012). Procedures are in place to identify the dates upon which invoices fall due for payment and for payments to be made on such dates, and accordingly, the Board is satisfied that the Vhi Board has complied with the requirements of the Regulations.

Subsidiary undertakings

The Board’s subsidiaries and other undertakings, as at 31 December 2020, are listed in note 35.

Subsequent events

Note 37 details the subsequent events post 31 December 2020.

Adequate Accounting Records

The Directors have taken appropriate measures to secure compliance with the requirements of sections 281 to 285 of the Companies Act 2014 with regard to the keeping of accounting records. The specific measures taken are the employment of suitably qualified accounting personnel and the maintenance of appropriate accounting systems. The books of account are located at VHI House, 20 Lower Abbey Street, Dublin 1.

Independent Auditors

Deloitte Ireland LLP, Chartered Accountants and Statutory Audit Firm, were reappointed as auditors on 8 September 2016. Deloitte have indicated their willingness to continue in office in accordance with section 383(2) of the Companies Act 2014.

Statement of disclosure of information to Auditors

So far as each of the Directors in office at the date of approval of these financial statements are aware:

- there is no relevant audit information not disclosed to the Auditors; and
- they have taken all the steps to make themselves aware of any relevant audit information and to establish that the Vhi Board’s Auditors are aware of that information.

On behalf of the Board

Paul O’Faherty
Chairperson
31 March 2021

Dean Holden
Director
31 March 2021

Directors’ Responsibilities Statement

The Directors are responsible for preparing the Directors’ report and the financial statements in accordance with the Companies Act 2014 and applicable regulations.

Irish company law requires the Directors to prepare financial statements for each financial year. Under the law, the Directors have elected to prepare the financial statements in accordance with FRS 102 and FRS 103, the Financial Reporting Standards applicable in the UK and Republic of Ireland (“relevant financial reporting framework”). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Board as at the financial year end date and of the surplus or deficit of the Board for the financial year and otherwise comply with the Companies Act 2014.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies for the group financial statements and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with the applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Board will continue in business.

The Directors are responsible for ensuring that the Board keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the Board, enable at any time the assets, liabilities, financial position and surplus or deficit of the Board to be determined with reasonable accuracy, enable them to ensure that the financial statements and the Directors’ report comply with the Companies Act 2014 and enable the financial statements to be audited. They are also responsible for safeguarding the assets of the Board and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on Vhi’s website.

Independent auditor's report to the members of The Voluntary Health Insurance Board

Report on the audit of the financial statements

Opinion on the financial statements of The Voluntary Health Insurance Board (the 'Board')

In our opinion the group and parent financial statements:

- give a true and fair view of the assets, liabilities and financial position of the group and parent as at 31 December 2020 and of the profit of the group for the financial year then ended; and
- have been properly prepared in accordance with the relevant financial reporting framework and, in particular, with the requirements of Irish Law.

The financial statements we have audited comprise:

- the group financial statements:
- the Consolidated Income and Expenditure Account;
- the Consolidated Balance Sheet;
- the Consolidated Statement of Changes in Equity;
- the Consolidated Cash Flow Statement; and
- the related notes 1 to 39, including a summary of significant accounting policies as set out in note 1.

The parent financial statements:

- the Statement of Comprehensive Income;
- the Balance Sheet;
- the Statement of Changes in Equity;
- the related notes 1 to 39, including a summary of significant accounting policies as set out in note 1.

The relevant financial reporting framework that has been applied in their preparation is Irish Law and FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland and FRS 103 Insurance Contracts issued by the Financial Reporting Council ("the relevant financial reporting framework").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are described below in the "*Auditor's responsibilities for the audit of the financial statements*" section of our report.

We are independent of the group and parent in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the financial statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the financial statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with Irish Law, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Board or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (Ireland), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group and parent Board's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity (or where relevant, the group) to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities within the group to express an opinion on the (consolidated) financial statements. The group auditor is responsible for the direction, supervision and performance of the group audit. The group auditor remains solely responsible for the audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

Report on other legal and regulatory requirements

Matters on which we are required to report by exception

Based on the knowledge and understanding of the [group and the parent] company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following:

- Under the provisions of the Voluntary Health Insurance Act 1957.
- Under the Code of Practice for the Governance of State Bodies ("the Code"), we are required to report to you if the statement regarding the system of internal financial control required under the Code as included in the Directors' Report does not reflect the Group's compliance with paragraph 1.9(iv) of the Code or if it is not consistent with the information of which we are aware from our audit work on the financial statements.

Use of our report

Our audit work has been undertaken so that we might state to the Board's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board and the Board's members as a body, for our audit work, for this report, or for the opinions we have formed.

Eimear McCarthy
For and on behalf of Deloitte Ireland LLP
Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House, Earlsfort Terrace, Dublin 2
7 April 2021

Notes: An audit does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the financial statements since first published. These matters are the responsibility of the directors but no control procedures can provide absolute assurance in this area.

Legislation in Ireland governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

Consolidated Income and Expenditure Account for the Financial Year ended 31 December 2020

	Notes	2020 €'m	2019 €'m
Technical Account			
Earned Premium, net of Reinsurance			
Gross written premiums	*2*	1,532.9	1,445.7
Change in gross provision for unearned premiums and unexpired risks	*2,22*	(26.5)	(32.5)
Earned Premium, net of reinsurance		**1,506.4**	**1,413.2**
Allocated investment return transferred from the non-technical account		**(2.1)**	**13.2**
Other technical income, net of reinsurance	*4,5*	74.2	117.1
Total Technical Income		**1,578.5**	**1,543.5**
Claims incurred, net of reinsurance			
Claims paid – gross amount	*2*	(1,147.0)	(1,386.5)
Claims paid – reinsurer's share		1.1	3.8
Change in the provision for claims – gross amount	*2,22*	40.1	28.5
Change in the provision for claims – reinsurer's share	*22*	(4.9)	(16.9)
		(1,110.7)	**(1,371.1)**
Customer return of value	*9,26*	**(264.5)**	**-**
Net operating expenses	*2,7*	**(132.8)**	**(126.6)**
Balance on the technical account		**70.5**	**45.8**
Non-Technical Account			
Balance on the technical account		**70.5**	**45.8**
Net investment return	*10*	(2.1)	13.2
Allocated investment return transferred to the insurance technical account		**2.1**	**(13.2)**
		70.5	**45.8**
Other income	*11*	28.6	34.5
Other expenses	*12*	(37.3)	(29.3)
Surplus on ordinary activities before tax	*27*	**61.8**	**51.0**
Tax on surplus on ordinary activities	*13*	(9.1)	(5.9)
Surplus on ordinary activities after tax	*14*	**52.7**	**45.1**

The notes on pages 43 to 69 form an integral part of these financial statements. The financial statements were approved by the Board of Directors and authorised for issue on 31 March 2021.

Consolidated Balance Sheet as at 31 December 2020

	Notes	2020 €'m	2019 €'m
Assets			
Investments			
Land held under finance lease	*15*	1.0	1.0
Land and buildings	*16*	67.6	72.1
Other financial investments	*17*	1,186.6	1,022.3
		1,255.2	**1,095.4**
Reinsurer's share of technical provisions			
Claims outstanding	*22*	12.5	17.4
		12.5	**17.4**
Debtors			
Debtors arising out of insurance operations	*33*	484.6	456.1
Other debtors	*18*	360.9	351.2
		845.5	**807.3**
Other assets			
Intangible assets	*20*	0.5	4.5
Tangible fixed assets	*21*	18.3	23.2
Cash at bank and in hand	*28*	63.3	98.2
Deferred tax asset	*19*	3.2	2.2
		85.3	**128.1**
Prepayments and accrued income			
Deferred acquisition costs	*24*	5.1	5.0
Other prepayments and accrued income		6.4	7.3
		11.5	**12.3**
Total Assets		**2,210.0**	**2,060.5**

Consolidated Balance Sheet
as at 31 December 2020 (continued)

	Notes	2020 €'m	2019 €'m
Equity and Liabilities			
Capital and reserves			
General reserve		701.2	676.0
Comprehensive income		72.1	25.2
Shareholder's funds		**773.3**	**701.2**
Technical provisions			
Provision for unearned premium and unexpired risks	*6,22*	560.4	533.9
Claims outstanding	*22,33,34*	401.8	441.9
		962.2	**975.8**
Funds withheld for Reinsurer	*23,34*	**12.5**	**17.4**
Creditors			
Creditors arising out of direct insurance operations		58.2	40.2
Other creditors and accruals	*25*	276.6	264.8
Other provisions	*26*	89.7	5.5
		424.5	**310.5**
Retirement benefit liability	*31*	**37.5**	**55.6**
Total Liabilities and Shareholder's Equity		**2,210.0**	**2,060.5**

The notes on pages 43 to 69 form an integral part of these financial statements. The financial statements were approved by the Board of Directors and authorised for issue on 31 March 2021. They were signed on its behalf by:

Paul O'Faherty
Chairperson
31 March 2021

Dean Holden
Director
31 March 2021

Board Balance Sheet
as at 31 December 2020

	Notes	2020 €'m	2019 €'m
Assets			
Other financial investments			
Investment in subsidiaries	*17*	479.7	479.7
		479.7	**479.7**
Debtors: Amounts falling due in 1 year		0.2	0.2
Total Assets		**479.9**	**479.9**
Equity and Liabilities			
Capital and reserves			
General reserve		424.3	428.9
Comprehensive income		18.1	(4.6)
Shareholder's funds		**442.4**	**424.3**
Other creditors and accruals		**-**	**-**
Retirement benefit liability	*31*	**37.5**	**55.6**
Total Liabilities and Shareholder's Equity		**479.9**	**479.9**

The notes on pages 43 to 69 form an integral part of these financial statements. The financial statements were approved by the Board of Directors and authorised for issue on 31 March 2021. They were signed on its behalf by:

Paul O'Faherty
Chairperson
31 March 2021

Dean Holden
Director
31 March 2021

Consolidated Statement of Cash Flows as at 31 December 2020

	Notes	2020 €'m	2019 €'m
Net cash from operating activities	*27*	**129.0**	**(22.1)**
Cash flows from investing activities:			
Purchase of property		-	(29.0)
Purchase of equipment		(1.7)	(7.4)
Investment and dividend income received		13.8	17.3
Net (purchase)/sale of portfolio investments		(176.0)	121.0
Net cash flows from investing activities		**(163.9)**	**101.9**
Cash flows from financing activities:			
Loans (repaid)		-	-
Interest (paid)		-	-
Net cash flows from financing activities		**-**	**-**
Net (decrease)/increase in cash at bank and in hand		**(34.9)**	**79.8**
Cash at bank and in hand at beginning of financial year		98.2	18.4
Cash at bank and in hand at end of financial year		**63.3**	**98.2**

Board Statement of Cash Flows as at 31 December 2020

A cash flow statement has not been prepared for the Vhi Board as it is availing of an exemption from preparing cash flows under FRS 102 as consolidated financial statements for the Voluntary Insurance Board include a cash flow statement.

Consolidated Statement of Changes in Equity as at 31 December 2020

	Total €'m
At 31 December 2018	**676.0**
Surplus for the financial year	45.1
Remeasurement of actuarial surplus/(deficit) on pension fund liability	(19.9)
At 31 December 2019	**701.2**
Surplus for the financial year	52.7
Remeasurement of actuarial surplus/(deficit) on pension fund liability	19.4
At 31 December 2020	**773.3**

Consolidated Statement of Comprehensive Income for the Financial Year ended 31 December 2020

	2020 €'m	2019 €'m
Surplus for the financial year	52.7	45.1
Remeasurement of actuarial surplus/(deficit) on pension fund liability	19.4	(19.9)
Total	**72.1**	**25.2**

Board Statement of Changes in Equity as at 31 December 2020

	Total €'m
At 31 December 2018	**428.9**
Surplus for the financial year	15.3
Remeasurement of actuarial surplus/(deficit) on pension fund liability	(19.9)
At 31 December 2019	**424.3**
Surplus for the financial year	(1.3)
Remeasurement of actuarial surplus/(deficit) on pension fund liability	19.4
At 31 December 2020	**442.4**

Board Statement of Comprehensive Income for the Financial Year ended 31 December 2020

	2020 €'m	2019 €'m
(Deficit)/surplus for the financial year	(1.3)	15.3
Remeasurement of actuarial surplus/(deficit) on pension fund liability	19.4	(19.9)
Total	**18.1**	**(4.6)**

Notes to the financial statements

1. Accounting policies

General Information

The Voluntary Health Insurance Board ("Vhi Board") was established under the Voluntary Health Insurance Act 1957 to act as a statutory body to undertake the business of writing private medical insurance in Ireland. The address of the registered office is given on page 72. The nature of operations and the Vhi Board's operating and financial review are detailed in the Directors' report on page 24.

Basis of Preparation

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with the Companies Act 2014 and Financial Reporting Standard 102 (FRS 102) "The Financial Reporting Standard applicable in the UK and Republic of Ireland" issued by the Financial Reporting Council. The Board is also subject to the requirements of the Companies Acts 2014 and the European Union (Insurance Undertakings: Financial Statements) Regulations 2015. The financial statements are prepared on a consolidated basis. All intra group transactions, balances, income and expenses are eliminated on consolidation.

In preparing financial statements, the Board may depart in specific instances from the formats adopted in preparing a balance sheet or profit and loss account as laid out in the European Union (Insurance Undertakings: Financial Statements) Regulations 2015. In these financial statements, an amendment to the prescribed format was necessary to ensure that more appropriate language is used to accurately describe the customer return of value transaction.

The Directors have a reasonable expectation that the Board has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Foreign Currency

The Board financial statements are presented in Euro which is the functional currency of the Vhi group. Transactions during the year denominated in foreign currencies have been translated at the rates of exchange ruling at the dates of the transactions. Assets and liabilities denominated in foreign currencies are translated to Euro at the rates of exchange ruling at the balance sheet date. The resulting gain or loss is included in the income and expenditure account.

Premiums Written

Gross written premiums consist of the premium income receivable from members in respect of policies commencing in the financial year. Unearned premiums represent the proportion of premiums written in the year that relate to the unexpired term of policies in force at the balance sheet date, calculated on a time apportioned basis.

Claims Incurred

Claims incurred comprise claims and related expenses paid during the year together with changes in provisions for outstanding claims, including provisions for the estimated cost of claims reported but not yet paid, claims incurred but not reported and related handling expenses.

The gross provision for claims represents the estimated liability arising from medical claims incurred in current and preceding financial years which have not yet given rise to claims paid. The provision includes an allowance for claims handling and expenses. The estimation of claims liabilities is subject to inherent uncertainty. A margin for uncertainty is included to reduce the risk that insufficient provisions are set aside. It is intended that the provision should be sufficient in reasonably foreseeable adverse circumstances.

The claims provision is estimated based on best information available as well as subsequent information and events. Adjustments to the amount of claims provision for prior years are included in the income and expenditure account in the financial year in which the change is made. Prudent assumptions are made so that the provision should be sufficient in reasonably foreseeable adverse circumstances.

Unexpired Risks

Provision is made, based on information available at the balance sheet date, where the estimated value of claims and expenses attributable to the unexpired periods of policies in force at the reporting date exceeds the unearned premiums provision in relation to such policies after deduction of any deferred acquisition costs, an unexpired risks provision is established.

Risk Equalisation Scheme

Health Insurance Levy consists of the amounts payable to the Revenue Commissioners in respect of stamp duty on private medical insurance policies commencing in the financial year. Provision for unearned levy represents the proportion of levy relating to policies written in the year that relates to the unexpired term of policies in force at the balance sheet date, calculated on a time apportioned basis. The net amount is recognised on an earned premium basis over the life of the policies and included as other technical income in the income and expenditure account. Risk Equalisation Premium Credits consist of amounts receivable from the Risk Equalisation Fund, administered by the Health Insurance Authority, in respect of policies commencing in the financial year. Provision for unearned credits represents the proportion of credits written in the year that relate to the unexpired term of policies in force at the balance sheet date, calculated on a time apportioned basis. Hospital Utilisation Credits consist of amounts receivable from the fund for claims paid during the year.

Notes to the financial statements (continued)

Business combinations and goodwill

Business combinations are accounted for by applying the purchase method. The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of the equity instruments issued plus the costs directly attributable to the business combinations.

On acquisition of a business, fair values are attributed to the identifiable assets and liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values of the net assets acquired. Goodwill is amortised over its expected useful life. Goodwill is assessed for impairment where there are indicators of impairment and any impairment is charged to the profit and loss account.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Computer software licence and development costs are recognised as intangible assets when they are not an integral part of the related hardware and are amortised to the income and expenditure account over their estimated useful lives of four years. Costs associated with maintaining the computer software are recognised as an expense when incurred.

Property, Plant and Equipment

Land, buildings and other tangible assets are initially recognised at cost. Cost includes any costs directly attributable to bringing the asset to the intended use. Costs for assets under construction are included under work in progress until the asset is brought into use.

i) Land and buildings

Land and buildings are carried at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of land and buildings are included in the income and expenditure account in the year in which they arise, including the corresponding tax effect. Fair values are evaluated annually by an accredited external, independent valuer with recent experience in the location and class of the property held.

All properties are maintained in a continual state of sound repair. As a result, the directors consider that the economic lives and residual values of these properties are such that any depreciation is insignificant and is therefore not provided.

ii) Tangible assets

Tangible assets are carried at cost less accumulated depreciation. Depreciation is calculated so as to write off the cost of the assets to their residual values over their estimated useful lives on a straight line basis as follows:

Motor vehicles	4 years
Computer equipment	4 years
Furniture, fittings, medical and office equipment	5 years

Expenditure incurred on the development of computer equipment which is substantial in amount and is considered to have an economic benefit to the Board lasting more than one year into the future is capitalised and depreciated over the years in which the economic benefits are expected to arise. This period is subject to a maximum of four years. In the event of uncertainty regarding its future economic benefit, the expenditure is charged to the income and expenditure account.

Leases

Assets held under finance leases, hire purchase contracts and other similar arrangements, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets at the fair value of the leased asset (or, if lower, the present value of the minimum lease payments as determined at the inception of the lease) and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant periodic rate of interest on the remaining balance of the liability.

Financial Assets and Liabilities

The Board's investments comprise debt securities, and equity investments, shares in collective investment undertakings, derivatives, deposits in banks, and investment in subsidiaries.

Financial assets and liabilities are recognised when the Board becomes a party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

All financial assets and liabilities, excluding derivatives, are initially measured at cost.

Debt instruments are designated and measured at fair value through profit and loss as they form part of a portfolio that is managed on a fair value basis in accordance with the Board's risk management and investment policy. Investments in ordinary shares are measured at fair value, with changes in fair value recognised in the profit and loss account.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value are recognised immediately in the non-technical income and expenditure account. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models as appropriate. Derivatives are included under "Other investments" in the note to the financial statements. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Board transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Board, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Where possible, financial instruments are marked at prices quoted in active markets. In certain instances, such price information is not available for all instruments and the Board uses valuation techniques to measure such instruments. These techniques use "market observable inputs" where available, derived from similar assets in similar and active markets, from recent transaction prices for comparable items or from other observable market data. For positions where observable reference data are not available for some or all parameters the Board estimates the non-market observable inputs used in its valuation models.

Investment in Subsidiaries

Investments in subsidiary companies are recognised at cost. At each year end, a review is performed to determine whether there is any indication of impairment. If impaired, investments in subsidiary companies are recorded at their recoverable amount.

Impairment

Financial assets, other than those at market value, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Investment Income

Investment income consists of dividends, interest, rent, realised gain and losses, and unrealised gains and losses on fair value assets. Investment income is presented net of related investment expenses. Rent and investment expenses are recognised when incurred. Interest income is recognised using the effective interest method. Income from equities is included on the basis of dividends received during the financial year. Realised and unrealised gains and losses are presented in the non-technical income and expenditure account in the financial year in which they arise.

The allocation of investment return from the non-technical account to the technical account is based on the return on investments attributable to the insurance business.

Pension

Certain employees of Vhi group companies are part of the Vhi Board's defined benefit pension scheme.

The cost of providing benefits and the liabilities of defined benefit plans are determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date.

Current service cost, interest cost and return on scheme assets are recognised in the income and expenditure account of Vhi Board. The Actuarial surplus or deficit is recognised in the statement of total comprehensive income of Vhi Board. Past service cost is recognised immediately. The net surplus or deficit on the defined benefit pension scheme is recognised, net of deferred tax, on the balance sheet of Vhi Board.

Notes to the financial statements (continued)

The Vhi Board also operates a defined contribution pension scheme for qualifying employees. The assets of the plan are held separately from those of the Vhi Board in funds under the control of the Scheme Trustees. Costs arising in respect of pension schemes are charged to the Vhi Board's income and expenditure account as an expense as they fall due.

The subsidiary companies of the Vhi Board recognise costs in their profit and loss account equal to their contribution payable as an employer of members of the scheme.

Other Income

Other income includes insurance agency commission earned on the sale of insurance products for other insurance companies. Insurance agency commission for products that do not require further service are recognised as income on the commencement of the related policy. Insurance agency commission for products requiring further customer service is recognised on a straight line basis over the lifetime of the policies.

Other income also comprises revenue from the provision of health services to clients. Revenue from the provision of health services to clients represents the invoiced value and work-in-progress of health services provided to clients exclusive of value added tax.

Deferred Acquisition Costs

The costs incurred during the financial year that are directly attributable to the acquisition of new insurance business are expensed in the same accounting year as the premiums to which they relate are earned. All other acquisition costs are recognised as an expense when incurred. Subsequent to initial recognition, these costs are deferred commensurate with the unearned premiums provision. Deferred acquisition costs are reviewed at the end of each reporting year and are written-off where they are no longer considered to be recoverable.

Provisions

Provisions have been included for known present obligations arising from past events based on management estimates, incorporating a review of available information and appropriate external advice where available.

Reinsurance

Reinsurance amounts are accounted for in line with the Reinsurance agreement and described below. The reinsurance agreement ended on 31 December 2017.

Reinsurance commissions relate to reinsurance commission and profit participation accrued on the basis of premiums ceded and claims reimbursed and are presented in the income and expenditure account in other technical income.

Premiums payable in respect of reinsurance ceded are recognised over the period of the reinsurance contract. A technical provision, reinsurer's share of unearned premium, is recognised for the portion of ceded premiums remaining on unexpired contracts.

An additional technical provision, reinsurer's share of claims outstanding, is recognised to reflect the amount estimated to be recoverable under the reinsurance contracts in respect of the outstanding claims reported under insurance liabilities. The amount recoverable from reinsurers is initially valued on the same basis as the underlying claims provision. The amount recoverable is reduced when there is an event arising after the initial recognition that provides objective evidence that the Board may not receive all amounts due under the contract and the event has a reliably measurable impact on the expected amount that will be recoverable from the reinsurer.

Funds withheld from Reinsurer

The reinsurance contract was on a funds withheld basis. Under the agreements, Vhi retains premiums at least equal to the reinsurance asset at all times.

Tax

The charge for tax is based on the tax adjusted surplus for the year calculated at current rates. Current tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred Tax

Deferred tax is provided on timing differences between the taxable surplus and surplus as stated in the financial statements. The provisions are made at the tax rates which are expected to apply in the years in which the timing differences are expected to reverse. Deferred tax assets are recognised to the extent that it is probable that they will be recovered.

2. Particulars of business

The insurance business of Vhi Board is that of health insurance and all business is written in the Republic of Ireland.

Analysis of gross premium earned, gross claims incurred, operating expenses and reinsurance balance for Vhi Board is as follows:

	2020 €'m	2019 €'m
Gross written premium	1,532.9	1,445.7
Change in provision for unearned premium and unexpired risks (note 22)	(26.5)	(32.5)
Gross earned premium	**1,506.4**	**1,413.2**
Other technical income gross (note 5)	71.1	106.6
Claims paid – gross amount	(1,147.0)	(1,386.5)
Change in the provision for claims – gross amount (note 22)	40.1	28.5
Gross claims incurred	**(1,106.9)**	**(1,358.0)**
Operating expenses	(132.8)	(126.6)
Reinsurance surplus/(deficit)	(0.8)	(2.6)

3. Earned premium

All earned premium relates to health insurance and all business written is in the Republic of Ireland.

4. Other technical income, net of reinsurance

	2020 €'m	2019 €'m
Risk Equalisation Scheme - gross (note 5)	71.1	106.6
Reinsurance commissions*	3.1	10.5
	74.2	**117.1**

*The reinsurance contract expired on 31 December 2017 and is currently in run-off.

5. Risk equalisation scheme

	2020 €'m	2019 €'m
Risk Equalisation Credits	475.3	502.8
Health Insurance Levy	(404.2)	(396.2)
	71.1	**106.6**

Risk Equalisation Credits consist of credits payable by the Risk Equalisation Fund in respect of older and/or hospitalised members of private medical insurance policies. These are received for each insured person aged over 65 and for claims paid which included a hospital day case or overnight stay.

The Health Insurance Levy is a stamp duty which is payable on renewal or inception of a private health insurance policy in Ireland and is used to fund the risk equalisation scheme.

6. Unexpired risks

Each year the Directors assess whether the Board will incur deficits on the unexpired element of existing private medical insurance policies. This is assessed by carrying out a liability adequacy test on the unexpired portion of the business. The principal uncertainty relates to the cost and volume of future claims. The amount provided at December 2020 is €22.9m (2019: €25.8m).

7. Net operating expenses

	2020 €'m	2019 €'m
Acquisition costs	16.2	15.3
Change in acquisition costs	(0.3)	(0.2)
Administration expenses	116.9	111.5
Net operating expenses	**132.8**	**126.6**

8. Employment benefits and directors remuneration

	2020 €'m	2019 €'m
Emoluments		
Aggregate emoluments paid by Vhi to directors	1.2	1.2
Contribution to defined contribution pension schemes	0.1	0.1
	1.3	**1.3**

Employer's defined benefit contributions paid for executive directors are included within emoluments.

Directors receive a private medical insurance policy from Vhi during their tenure.

	2020	2019
The average monthly number of people employed during the financial year (including directors) was as follows:	1,455	1,451

	2020 €'m	2019 €'m
Staff costs were:		
Wages and salaries	95.6	88.3
Social security costs	10.0	10.3
Other retirement benefit costs	13.9	12.7
Other compensation costs	5.5	6.0
	125.0	**117.3**

The total remuneration, including pension contribution, paid to the Chief Executive and included in net operating expenses in the year to 31 December 2020 was €337,500 (2019: €337,500).

9. Customer return of value

	2020 €'m	2019 €'m
Customer return of value	264.5	-
	264.5	**-**

Vhi customers' access to healthcare was materially adversely impacted by the COVID-19 pandemic during 2020. Medical care was cancelled or deferred for a number of reasons, including agreement between the Health Service Executive (HSE) and private hospitals for the medical care of non-COVID public patients. Vhi implemented a programme to return value to customers, including waiver of premium of an average of 50% for a 3 month period from mid-May until mid-August and an announcement on 7 December, 2020 of payment of €75 and €25 to adult and child members, respectively, commencing during January 2021.

10. Net investment return

2020 €'m	Investment income	Investment expense	Realised gains and (losses)	Changes in fair value	Net investment return
Corporate bonds	2.1	(0.8)	0.3	2.1	**3.7**
Government bonds	(0.5)	(0.3)	0.4	0.3	**(0.1)**
Collective investments	-	(0.2)	(0.7)	-	**(0.9)**
Other investments	-	-	0.3	(5.1)	**(4.8)**
	1.6	**(1.3)**	**0.3**	**(2.7)**	**(2.1)**

2019 €'m	Investment income	Investment expense	Realised gains and (losses)	Changes in fair value	Net investment return
Corporate bonds	1.5	(0.8)	1.7	9.7	**12.1**
Government bonds	(0.6)	(0.3)	1.2	0.7	**1.0**
Collective investments	(0.2)	(0.2)	(0.4)	0.4	**(0.4)**
Other investments	0.1	-	(1.6)	2.0	**0.5**
	0.8	**(1.3)**	**0.9**	**12.8**	**13.2**

11. Other income

Other income includes income generated by subsidiary companies.

	2020 €'m	2019 €'m
Commission income	21.6	24.0
Other income	7.0	10.5
	28.6	**34.5**

12. Other expenses

This relates to interest expense as well as expenses associated with provision of services to clients by subsidiary companies.

	2020 €'m	2019 €'m
Expenses from the provision of health services	37.3	29.3
	37.3	**29.3**

13. Tax

	2020 €'m	2019 €'m
The tax charge in the income and expenditure account comprises:		
Current tax for year	10.1	5.5
Deferred tax (credit)/charge	(1.0)	0.4
	9.1	**5.9**

Factors affecting the current tax charge for the financial year:

The differences are explained below:

	2020 €'m	2019 €'m
Surplus on ordinary activities before tax	**61.8**	**50.1**
Surplus on ordinary activities multiplied by standard rate of corporation tax of 12.5% (2019: 12.5%)	7.7	6.2
Effects of:		
Expenses not allowed for tax purposes	0.7	0.8
Capital allowances in excess of depreciation for financial year	0.3	0.4
FRS adjustments	-	0.1
Non-taxable items	(0.4)	-
Movement in expenses deductible when paid in respect of prior periods	0.8	(2.0)
Other adjustments	1.0	-
Current tax for financial year	**10.1**	**5.5**

14. Surplus on ordinary activities after tax

Surplus for the financial year has been arrived at after charging (crediting) the below to the consolidated financial statements.

	2020 €'m	2019 €'m
Auditors remuneration		
Audit of individual company financial statements	0.2	0.2
Other assurance services	0.1	0.1
Other non-audit services	-	0.1
	0.3	**0.4**

15. Land held under finance lease

	2020 €'m	2019 €'m
Land held under finance lease	1.0	1.0

During 2019, a finance lease was entered into relating to the lease of land. The term of the lease is for 500 years. All liabilities due have been paid and there are no material future obligations outstanding.

16. Land and Buildings

	2020 €'m	2019 €'m
Valuation		
At 1 January	72.1	42.5
Additions	-	28.0
Work in progress	-	-
Disposals	-	-
Gain/(loss) on revaluation	(4.5)	1.6
At 31 December	**67.6**	**72.1**

Land and buildings included above are occupied by Vhi group companies for its own activities and are mainly freehold. Land and buildings were valued at 31 December 2020 at open market value in accordance with Royal Institute of Chartered Surveyors (RICS) appraisal and valuation standards.

17. Other financial investments

The carrying values of the Board's financial assets and liabilities are summarised by category below:

	2020 €'m	2019 €'m
Consolidated		
i) financial assets at fair value		
Corporate bonds	618.7	592.0
Government bonds	296.3	246.4
Collective investments	270.7	177.2
Other unquoted investments	-	5.4
Derivatives	0.4	0.6
i) financial liabilities at fair value		
Derivatives	(0.4)	(0.3)
ii) at cost		
Deposits in banks	0.9	1.0
	1,186.6	**1,022.3**
Board		
i) at cost		
Investment in subsidiary	479.7	479.7
	479.7	**479.7**

18. Other debtors

	2020 €'m	2019 €'m
Amounts falling due within one year:		
Risk equalisation scheme	322.5	318.6
Other debtors	38.2	32.4
	360.7	**351.0**
Amounts falling due after one year:		
Other debtors	0.2	0.2
	360.9	**351.2**

The Risk Equalisation Scheme debtor includes the unexpired portion of the Health Insurance Levy which amounted to €139.6m (2019: €136.3m).

19. Deferred tax asset

An asset has been recognised in respect of deferred tax for the following timing differences:

	2020 €'m	2019 €'m
Other timing differences	0.5	1.6
Expenses deductible when paid	2.5	0.4
Losses carried forward	0.2	0.2
Total deferred tax asset	**3.2**	**2.2**

20. Intangible assets

	Software €'m	Total €'m
Cost		
Balance at 1 January 2020	70.5	70.5
Additions	0.4	0.4
Retirements	-	-
Balance at 31 December 2020	**70.9**	**70.9**
Amortisation		
Balance at 1 January 2020	(66.0)	(66.0)
Charge for the year	(4.4)	(4.4)
Retirements	-	-
Balance at 31 December 2020	**(70.4)**	**(70.4)**
Net book value		
At 31 December 2020	**0.5**	**0.5**
At 31 December 2019	**4.5**	**4.5**

	Software €'m	Total €'m
Cost		
Balance at 1 January 2019	72.1	72.1
Additions	4.0	4.0
Retirements	(5.6)	(5.6)
Balance at 31 December 2019	**70.5**	**70.5**
Amortisation		
Balance at 1 January 2019	(67.0)	(67.0)
Charge for the year	(4.6)	(4.6)
Retirements	5.6	5.6
Balance at 31 December 2019	**(66.0)**	**(66.0)**
Net book value		
At 31 December 2019	**4.5**	**4.5**
At 31 December 2018	**5.1**	**5.1**

Notes to the financial statements (continued)

21. Tangible assets

	Motor vehicles €'m	Fixtures, furnishings and fittings €'m	Computer/ office equipment €'m	Medical equipment €'m	Total €'m
Cost:					
Balance at 1 January 2020	3.6	26.8	32.5	0.6	63.5
Additions	0.1	0.3	1.3	-	1.7
Disposals	(0.5)	-	-	-	(0.5)
Balance at 31 December 2020	**3.2**	**27.1**	**33.8**	**0.6**	**64.7**
Depreciation:					
Balance at 1 January 2020	(2.5)	(16.6)	(20.6)	(0.6)	(40.3)
Charge for the year	(0.5)	(3.3)	(2.7)	-	(6.5)
Disposals	0.4	-	-	-	0.4
Balance at 31 December 2020	**(2.6)**	**(19.9)**	**(23.3)**	**(0.6)**	**(46.4)**
Net book value:					
At 31 December 2020	**0.6**	**7.2**	**10.5**	**-**	**18.3**
At 31 December 2019	**1.1**	**10.2**	**11.9**	**-**	**23.2**

	Motor vehicles €'m	Fixtures, furnishings and fittings €'m	Computer/ office equipment €'m	Medical equipment €'m	Total €'m
Cost:					
Balance at 1 January 2019	3.3	24.0	28.2	0.6	56.1
Additions	0.7	3.0	4.5	-	8.2
Disposals	(0.4)	(0.2)	(0.2)	-	(0.8)
Balance at 31 December 2019	**3.6**	**26.8**	**32.5**	**0.6**	**63.5**
Depreciation:					
Balance at 1 January 2019	(2.2)	(13.5)	(17.8)	(0.6)	(34.1)
Charge for the year	(0.7)	(3.1)	(2.8)	-	(6.6)
Disposals	0.4	-	-	-	0.4
Balance at 31 December 2019	**(2.5)**	**(16.6)**	**(20.6)**	**(0.6)**	**(40.3)**
Net book value:					
At 31 December 2019	**1.1**	**10.2**	**11.9**	**-**	**23.2**
At 31 December 2018	**1.1**	**10.5**	**10.4**	**-**	**22.0**

22. Technical provisions

	Provision for Unearned Premium and Unexpired Risks €'m	Claims Outstanding €'m	Total €'m
Gross Amount			
As at 31 December 2019	(533.9)	(441.9)	**(975.8)**
Movement in provision* (note 2)	(26.5)	40.1	**13.6**
As at 31 December 2020	**(560.4)**	**(401.8)**	**(962.2)**
Reinsurance Amount**			
As at 31 December 2019	-	17.4	**17.4**
Movement in provision	-	(4.9)	**(4.9)**
As at 31 December 2020	**-**	**12.5**	**12.5**
Net Technical Provision			
As at 31 December 2020	**(560.4)**	**(389.3)**	**(949.7)**
As at 31 December 2019	**(533.9)**	**(424.5)**	**(958.4)**

	Provision for Unearned Premium and Unexpired Risks €'m	Claims Outstanding €'m	Total €'m
Gross Amount			
As at 31 December 2018	(501.4)	(470.4)	**(971.8)**
Movement in provision*	(32.5)	28.5	**(4.0)**
As at 31 December 2019	**(533.9)**	**(441.9)**	**(975.8)**
Reinsurance Amount**			
As at 31 December 2018	-	34.3	**34.3**
Movement in provision	-	(16.9)	**(16.9)**
As at 31 December 2019	**-**	**17.4**	**17.4**
Net Technical Provision			
As at 31 December 2019	**(533.9)**	**(424.5)**	**(958.4)**
As at 31 December 2018	**(501.4)**	**(436.1)**	**(937.5)**

* Change in provisions for unearned premium and unexpired risks relates to business performance during 2020 and the impact of price adjustments during 2019.

** Change in provision for claims includes claims expenses net of payments made in respect of the reporting period and change in provisions in respect of prior years' net of payments made, adjusted for reinsurer's share at the applicable quota share rates. The reinsurance contract ended as at 31 December 2017 resulting in no provision for the reinsurer's share of unearned premium being recognised at the period end.

23. Funds withheld from Reinsurer

The reinsurance contract is on a funds withheld basis. Under the agreements, Vhi retains premiums at least equal to the reinsurance asset at all times. This reinsurance agreement expired as at 31 December 2017.

	2020 €'m	2019 €'m
Funds withheld from reinsurer	12.5	17.4
	12.5	**17.4**

24. Deferred acquisition costs

Acquisition costs are expensed as the premiums to which they relate are earned. The amount of €5.1m provided for 2020 (2019: €5.0m) is in respect of costs incurred during the financial year which are directly attributable to the acquisition of new business. All other acquisition costs are recognised as an expense when incurred.

25. Other creditors and accruals due within one year

	2020 €'m	2019 €'m
Risk Equalisation Scheme	191.2	186.8
Other creditors	50.4	41.3
Accruals	35.0	36.7
	276.6	**264.8**

The Risk Equalisation Scheme creditor includes the value of the provision for unearned premium credits at the year ended 31 December 2020 of €130.0m (2019: €127.6m).

26. Other provisions

	Customer return of value €'m	Other €'m	Total €'m
At 1 January 2020	-	5.5*	**5.5**
Additional provisions during the year	77.0	7.2	**84.2**
At 31 December 2020	**77.0**	**12.7**	**89.7**

*Prior year reclassification from other crediors and accruals

During 2020, a provision was created amounting to €77.0m associated with the further return of value to all Vhi private health insurance customers. An announcement was made on the 7th December, 2020 of payment of €75 and €25 to adult and child members, respectively, commencing during January 2021.

Other provisions relate principally to committed Group restructuring costs in accordance with the Vhi Group Strategy and commercial contracts. The outcome of these provisions are not expected to give rise to any significant losses beyond the amounts provided for at 31 December 2020. Disclosure of further details of these provisions would prejudice the Groups negotiation position and accordingly further information of these obligations have not been provided.

27. Notes to the cash flow statement

	2020 €'m	2019 €'m
Surplus on ordinary activities before tax	**61.8**	**51.0**
Add back depreciation	6.1	6.6
Add back amortisation	4.5	4.6
Defined benefit pension contributions in excess of charge	1.5	1.3
Investment loss/(gain)	2.1	(13.2)
Operating cash flows before movements in working capital	**76.0**	**50.3**
(Increase) in deferred acquisition costs	(0.1)	-
(Decrease) in insurance contract liabilities	(22.1)	(29.0)
Increase in provision for unearned premium	26.5	32.6
(Increase) in receivables	(38.2)	(57.4)
Increase/(decrease) in payables	96.0	(7.1)
Working capital movements	**62.1**	**(60.9)**
Cash generated by operations	**138.1**	**(10.6)**
Income taxes paid	(9.1)	(11.5)
Net cash flows from operating activities	**129.0**	**(22.1)**

28. Analysis of changes in net debt

	At 1 Jan 2020 €'m	Cash flows €'m	Other non-cash changes	At 31 Dec 2020 €'m
Cash and cash equivalents				
Cash	98.2	(34.9)	-	**63.3**
Overdrafts	-	-	-	-
Cash Equivalents	-	-	-	-
	98.2	**(34.9)**	**-**	**63.3**
Borrowings				
Debt due within one year	-	-	-	-
Debt due after one year	-	-	-	-
	-	**-**	**-**	**-**
Total	**98.2**	**(34.9)**	**-**	**63.3**

29. Capital commitments

	2020 €'m	2019 €'m
Capital expenditure contracted for	**0.4**	**3.6**

Notes to the financial statements (continued)

30. Prompt payment of accounts

Payments made during 2020 were governed by the Prompt Payment of Accounts Act 1997 (as amended by the European Communities (late payment in commercial transactions) Regulations 2012) to address late payments in commercial transactions. This Act applies to goods and services supplied to the Vhi Board by EU based suppliers.

Statement of payment practices including standard payment periods

The Vhi Board operates a policy of paying all undisputed supplier invoices within the agreed terms of payment. The terms specified in Vhi's standard purchase order are 30 days. Other payment terms may apply in cases where a separate contract is agreed with the supplier.

Compliance with the Directive

The Vhi Board complies with the requirements of the legislation in respect of all supplier payments. Procedures and systems, including computerised systems, have been modified to comply with the Directive.

These procedures ensure reasonable but not absolute assurance of compliance.

31. Retirement benefit schemes

The Board operates a defined contribution retirement plan open to eligible employees. The assets of this plan are held separately from those of the Board in funds under the control of Trustees. Costs arising in respect of this plan are charged to the income and expenditure account as an expense as they fall due.

The Board also operates a defined benefit pension scheme which was closed to new members effective 24 January 2013. The assets of the defined benefit scheme are held in a separate trustee administered fund. Retirement benefit costs and liabilities are determined by an independent qualified actuary, using the projected unit credit method of funding. The pension scheme is internally financed. The contributions to the scheme for 2020 amounted to €8.8m (2019: €8.6m).

The values used in this disclosure are based on the most recent actuarial funding valuations, carried out at 31 December 2020. The amounts have been fully implemented in the financial statements in accordance with the requirements of Section 28 FRS 102.

The actuarial reports are available for inspection by members of the scheme but not for public inspection.

(i) The major assumptions used in respect of the pension scheme are:	**2020 %**	**2019 %**
Rate of increase in salaries	1.95	2.00
Rate of increase in pensions in payment	1.30	1.30
Discount rate	1.30	1.40
Revaluation	1.30	1.30
Inflation assumption	1.35	1.40

(ii) Long-term expected rates of return at financial year end are:	**2020 %**	**2019 %**
Equities	1.30	1.40
Fixed interest	1.30	1.40
Property	1.30	1.40
Other	1.30	1.40

(iii) Weighted average life expectancy for mortality tables used to determine benefit obligations at:	**2020**	**2019**
Member age 65 (current life expectancy)	24.5	24.4
Member age 40 (life expectancy at age 65)	26.7	26.6

31. Retirement benefit schemes continued

(iv) The assets in the pension scheme at market value were:	**2020 €'m**	**2019 €'m**
Equities	87.1	79.8
Fixed interest	13.0	92.1
Property	16.6	2.6
Non-sovereign bonds	13.6	24.7
Cash	7.1	27.2
Inflation-linked bonds	147.8	38.0
Other	69.9	57.3
Total market value of assets	**355.1**	**321.7**
Present value of scheme liabilities	(398.0)	(385.2)
Deficit in the scheme	**(42.9)**	**(63.5)**
Related deferred tax asset	5.4	7.9
Net retirement benefit liability	**(37.5)**	**(55.6)**

(v) Income and expenditure account	**2020 €'m**	**2019 €'m**
Charged to net operating expenses		
Retirement benefits		
Current service cost	(9.0)	(7.1)
Death in service cost	(0.4)	(0.4)
	(9.4)	**(7.5)**
Other retirement benefits		
Charge to income & expenditure	(9.4)	(7.5)
Interest in scheme liabilities	(5.3)	(7.4)
Expected return on scheme assets	4.5	6.5
Past service cost	-	-
Net change in operating result	**(10.2)**	**(8.4)**

(vi) Statement of comprehensive income	**2020 €'m**	**2019 €'m**
Actual return less expected return on scheme assets	25.0	28.7
Experience gains and losses on scheme liabilities	4.4	1.0
Changes in financial assumptions	(7.4)	(52.3)
Remeasurement of actuarial surplus/(deficit) on pension fund liability	**22.0**	**(22.6)**
Movement on deferred tax	(2.5)	2.7
Total remeasurement of actuarial surplus/(deficit) on pension fund liability	**19.5**	**(19.9)**

31. Retirement benefit schemes continued

(vii) Movement in net deficit during the financial year	2020 €'m	2019 €'m
Net deficit in scheme at start of year	(55.6)	(35.9)
Current service cost	(9.0)	(7.1)
Death in service cost	(0.4)	(0.4)
Past service cost	-	-
Contributions	8.8	8.6
Interest on scheme liabilities	(5.3)	(7.4)
Expected return on scheme assets	4.5	6.5
Remeasurement of actuarial surplus/(deficit) on pension fund liability	22.0	(22.6)
Movement in deferred tax	(2.5)	2.7
Net deficit at end of financial year	**(37.5)**	**(55.6)**

(viii) History of experience gains and losses	Year ended Dec-2020	Year ended Dec-2019	Year ended Dec-2018	Year ended Dec-2017	Year ended Dec-2016	Year ended Dec-2015
Difference between expected and actual return on	25.0	28.7	(13.5)	11.2	10.8	2.5
assets % of scheme assets	7%	9%	(5%)	4%	5%	1%
Experience gains and (losses) on scheme liabilities	4.4	0.1	2.1	(3.8)	(2.1)	9.9
% of scheme liabilities	(1%)	0%	1%	(1%)	(1%)	4%
Total decrease/(increase) in actuarial surplus/(deficit)	22.0	(22.7)	(17.6)	(24.3)	(22.2)	9.8
% of scheme liabilities	6%	(6%)	(5%)	(8%)	(9%)	4%

(ix) Recognised within the Balance Sheet:	2020 €'m	2019 €'m
Net deficit as at 31 December	(37.5)	(55.6)

(x) Movement in group assets and liabilities:	2020 €'m	2019 €'m
Assets		
Assets in scheme at 1 January	321.7	281.3
Return on scheme assets (excluding interest income)	25.0	28.7
Employer contributions	8.8	8.6
Employee contributions	2.4	2.5
Interest on scheme assets	4.5	6.5
Insurance premiums for risk benefits	(0.4)	(0.4)
Benefits paid	(6.9)	(5.5)
Assets in scheme at 31 December	**355.1**	**321.7**
Liabilities		
Liabilities in scheme at 1 January	385.2	322.4
Experience gains and losses on scheme liabilities	(4.4)	(1.0)
Changes in assumptions	7.4	52.3
Current service cost	9.0	7.1
Death in service cost	0.4	0.4
Employee contributions	2.4	2.5
Interest on scheme liabilities	5.3	7.4
Insurance premiums for risk benefits	(0.4)	(0.4)
Benefits paid	(6.9)	(5.5)
Liabilities in scheme at 31 December	**398.0**	**385.2**

32. Capital management

The objective of Vhi in managing its capital is to ensure that it will not compromise its ability to meet its current or future commitments to policyholders and will be able to continue as a going concern and maintain a prudent level of capital. The capital structure of the Vhi Group consists of retained earnings. Vhi has also employed the use of reinsurance and subordinated debt as capital management tools in the past.

Vhi Insurance DAC, a subsidiary of Vhi Board, is prudentially regulated by the Central Bank of Ireland. Under this, Vhi Insurance DAC is required to hold regulatory capital in line with the EU Solvency II Directive. Vhi Insurance DAC's regulatory capital level was compliant with its obligations throughout 2020.

Vhi Group Services DAC declared and paid a dividend of €10.0m for 2020 to its parent, Vhi Group DAC. Vhi Healthcare DAC also declared and paid a dividend of €20.0m for 2020 to its parent, Vhi Group DAC.

The table below sets out the capital and reserves of the Vhi Board:

	€'m
Capital resources at 1 January 2019	**676.0**
Surplus for the financial year	45.1
Remeasurement of actuarial (deficit) on pension fund liability	(19.9)
Capital resources at 31 December 2019	**701.2**
Surplus for the financial year	52.7
Remeasurement of actuarial surplus on pension fund liability	19.4
Capital resources at 31 December 2020	**773.3**

33. Financial risk management

The Vhi Board operates an enterprise risk management framework across the group to monitor and manage risks including financial risks. These risks include market risk (interest rate risk, currency risk and other price change risks), credit risk and liquidity risk.

The Board does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. Derivative financial instruments are held for hedging purposes only.

Fair value

Fair value is the amount for which an asset or liability could be exchanged between willing parties in an arm's length transaction. FRS 102 establishes a fair value hierarchy that prioritises the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

Level 1 – Quoted prices unadjusted for an identical asset in an active market.

Level 2 – When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If it can be demonstrated that the last transaction price is not a good estimate of fair value (e.g. because it reflects the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale), that price is adjusted.

Level 3 – If the market for the asset is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique. The objective of using a valuation technique is to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, yield curves, credit spreads, liquidity statistics and other factors. The use of different valuation techniques could lead to different estimates of fair value.

33. Financial risk management continued

The table below shows financial assets carried at fair value through the income and expenditure account (as disclosed in note 17) that are measured at fair value:

	2020 €'m			
	Level 1	Level 2	Level 3	Total
Corporate bonds	-	618.7	-	**618.7**
Government bonds	-	296.3	-	**296.3**
Collective investments	-	270.7	-	**270.7**
Other investments	-	0.9	-	**0.9**
Financial investments at fair value	**-**	**1,186.6**	**-**	**1,186.6**

	2019 €'m			
	Level 1	Level 2	Level 3	Total
Corporate bonds	-	592.0	-	**592.0**
Government bonds	-	246.4	-	**246.4**
Collective investments	-	177.2	-	**177.2**
Other investments	0.3	-	5.4	**5.7**
Financial investments at fair value	**0.3**	**1,015.6**	**5.4**	**1,021.3**

Market risk

Market risk is the risk of adverse financial impact as a consequence of financial market movements such as currency exchange rates, interest rates and other price changes. Market risk arises due to fluctuations in both the value of assets held and the value of liabilities. The objective of the Board in managing its market risk is to ensure risk is managed in line with the Board's risk appetite.

The Board has established policies and procedures in order to monitor and manage market risk and methods to measure it.

Market risk has remained within risk appetite throughout the year. There were no significant changes to the objectives, or policies and processes for managing market risk.

i. Foreign currency risk management

The Board's financial assets and its insurance contract liabilities are mostly denominated in Euro. Any currency risk from assets denominated in foreign currencies is minimised using suitable derivative contracts. This represents a small proportion of the financial assets.

ii. Interest rate risk management

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate risk arises primarily from the Board's investment in fixed interest government and corporate bonds. The risk is managed by the Board by limiting the maturity of instruments which the portfolio invests in and closely matching the outstanding duration of its assets to its liabilities. The Board diversifies its fixed interest investments by issuer and type to ensure it has no significant concentration of interest rate risk at the balance sheet date.

33. Financial risk management continued

The sensitivity analysis below have been determined based on prescribed Solvency II test formulae for interest rate risk. The table below shows the exposure to interest rates for fixed interest rate financial assets only at the balance sheet date.

	Pre-tax surplus		Shareholder's equity	
	2020 €m	2019 €m	2020 €m	2019 €m
Increase in interest rates	(20.3)	(15.2)	(17.8)	(13.3)
Decrease in interest rates	0.1	0.2	0.1	0.2

The Vhi Board's sensitivity to interest rate changes has increased over the financial year due to an increase in the duration of assets.

iii. Other market price risk management

Vhi Board is exposed to market price risk arising from fluctuations in the value of financial instruments as a result of changes in the market prices and the risks inherent in all investments. The Board has no significant concentration of price risk. The risk is managed by the Board by investing primarily in listed fixed income securities, maintaining an appropriate mix of investment instruments, limiting the maturity profile of fixed interest securities and matching liabilities by outstanding duration and type.

Vhi Board sensitivity to a 0.5% increase and decrease in market prices is as follows:

	2020 €'m	2019 €'m
0.5% increase		
Movement in fair value of debt securities and other fixed income securities	5.9	5.1
0.5% decrease		
Movement in the fair value of debt securities and other fixed income securities	(5.9)	(5.1)

For all other financial instruments held at 31 December 2020 these assets are not subject to significant amounts of risk due to fluctuations in interest rates.

Credit risk

Credit risk refers to the risk that the counterparty will default on all or part of their contractual obligations resulting in financial deficit to the group. The key areas of exposure to credit risk for the Vhi group are in relation to its investment portfolio and amounts due from policyholders and other third parties.

The objective of the group in managing its credit risk is to ensure risk is managed in line with the Board's risk appetite. The group has established policies and procedures in order to manage credit risk and methods to measure it.

Financial assets are graded according to current credit ratings issued by credit rating agencies. Where not available, the Board uses other publicly available financial information and its own trading records to rate its major financial counterparties. AAA (or equivalent) is the highest possible rating. Investment grade financial assets are classified within the range of AAA to BBB ratings. Financial assets which fall outside this range are classified as speculative grade. The majority of debt securities held are investment grade and the Board has limited exposure to below investment grade securities.

The group's exposure and the credit ratings of its counterparties are continuously monitored. The group monitors the credit risk in relation to its investment portfolio and reinsurance programme by monitoring external credit ratings for the investment assets held by the group on a monthly basis. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Risk Management and Compliance Committee annually. Our reinsurance contract is on a funds withheld basis which mitigates the counterparty risk with this counterparty.

The carrying amount of financial assets and reinsurance assets recorded in the financial statements, which is net of impairment losses, represents the group's maximum exposure to credit risk.

Notes to the financial statements (continued)

33. Financial risk management continued

The Board's reinsurer has a credit rating of AA+. The Board have assessed this credit rating as being sufficient to meet its risk appetite. Reinsurance assets are the reinsurer's share of outstanding claims, claims incurred but not reported (IBNR) and reinsurance receivables. The majority of debt securities are investment grade and the Board has limited exposure to below investment grade securities.

Receivables consist of a large number of policyholders, and their financial condition is subject to ongoing evaluation. Loans and receivables from policyholders, agents, intermediaries and other third parties generally do not have a credit rating.

The following table shows aggregated credit risk exposure for assets in respect of external credit ratings, where available, for Vhi Board:

2020 €m	AAA < AA-	A+ < BBB	< BBB	Not Rated	Carrying Amount
Financial assets:					
Corporate bonds	53.0	529.2	36.5	-	**618.7**
Government bonds	122.0	172.1	2.2	-	**296.3**
Collective investments	176.9	93.8	-	-	**270.7**
Deposits in banks	(0.3)	1.1	-	-	**0.8**
Other investments	0.1	-	-	-	**0.1**
Total financial investments	**351.7**	**796.2**	**38.7**	**-**	**1,186.6**
Other assets:					
Cash at hand and in bank	0.2	63.1	-	-	**63.3**
Reinsurance assets	-	-	-	-	**-**
Insurance receivables	-	-	-	484.6	**484.6**
Other debtors	-	-	-	360.9	**360.9**
Total financial assets	**351.9**	**859.3**	**38.7**	**845.5**	**2,095.4**

2019 €m	AAA < AA-	A+ < BBB	< BBB	Not Rated	Carrying Amount
Financial assets:					
Corporate bonds	78.7	481.7	31.6	-	**592.0**
Government bonds	122.8	122.4	1.2	-	**246.4**
Collective investments	143.1	34.1	-	-	**177.2**
Deposits in banks	0.3	0.7	-	-	**1.0**
Other investments	(0.2)	0.1	-	5.8	**5.7**
Total financial investments	**344.7**	**639.0**	**32.8**	**5.8**	**1,022.3**
Other assets:					
Cash at hand and in bank	-	98.2	-	-	**98.2**
Reinsurance assets	0.5	-	-	-	**0.5**
Insurance receivables	-	-	-	455.6	**455.6**
Other debtors	-	-	-	351.2	**351.2**
Total financial assets	**345.2**	**737.2**	**32.8**	**812.6**	**1,927.8**

The Board maintains strict control limits on open derivative positions, by both amount and term. The amount subject to credit risk at any one time is limited to the current fair value of derivative financial assets.

33. Financial risk management continued

The following table shows the carrying value of assets that are neither past due nor impaired, the ageing of assets that are past due but not impaired and assets that have been impaired. The factors considered in determining that the value of the assets have been impaired were: analysis of impairment, ageing of balances, past loss experience, current economic conditions and other relevant circumstances.

Insurance receivables	2020 €'m	2019 €'m
Neither past due nor impaired	455.1	435.2
Past due less than 30 days	10.7	5.0
Past due 31 to 60 days	8.8	8.3
Past due 61 to 90 days	4.0	3.6
Past due more than 90 days	6.0	3.5
Past due and impaired	-	-
Carrying amount	**484.6**	**455.6**

Liquidity risk management

Liquidity risk is the risk that the group cannot meet its obligations associated with financial liabilities as they fall due, or the risk of incurring excessive costs in selling assets to meet these obligations. The group has adopted an appropriate liquidity risk management framework for the management of the group's liquidity requirements.

The group is exposed to liquidity risk arising from clients on its insurance contracts. The group manages liquidity risk by continuously monitoring forecasted and actual cash flows and ensuring that the maturity profile of its financial assets is in line with the maturity profile of its liabilities and by maintaining appropriate liquidity buffers at all times.

In practice, most of the group's assets are marketable securities which could be converted to cash in the normal course when required.

There were no material changes in the group's liquidity risk exposure in the financial year nor to the objectives, policies and processes for managing liquidity risk. The following table shows details of the expected maturity profile of the group's undiscounted obligations with respect to its financial liabilities and estimated cash flows of recognised insurance and participating investment contract liabilities. Unearned premiums are excluded from this analysis. The table includes both interest and principal cash flows.

	2020 €'m					
	Less than 1 month	1–3 months	3 months to 1 year	1–5 years	5+ years	Total
Insurance contract liabilities	116.6	118.2	133.8	33.0	0.2	**401.8**
Trade and other liabilities	82.3	196.4	56.1	-	-	**334.8**

	2019 €'m					
	Less than 1 month	1–3 months	3 months to 1 year	1–5 years	5+ years	Total
Insurance contract liabilities	124.9	132.8	150.9	33.1	0.2	**441.9**
Trade and other liabilities	64.2	185.8	55.0	-	-	**305.0**

34. Insurance risk management

Assumptions and sensitivities

The risks associated with the health insurance contracts are subject to a number of variables. The Board uses several statistical and actuarial techniques based on past claims development experience. This includes indications such as average claims cost, ultimate claims numbers and expected loss ratios. The key methods used by the Vhi Board for estimating liabilities are:

- **i.** chain ladder;
- **ii.** estimated loss ratio;
- **iii.** average cost per claim; and
- **iv.** Bornhuetter-Ferguson.

Prudent assumptions are made so that the provision should be sufficient in reasonably foreseeable adverse circumstances.

The Vhi Board considers that the liability for health insurance claims recognised in the balance sheet is adequate. However, actual experience will differ from the expected outcome.

Some results of sensitivity testing are set out below, showing the impact on surplus before tax and shareholder's equity. For each sensitivity the impact of a change in a single factor is shown with other assumptions unchanged.

	Pre-tax Surplus		Shareholder's equity	
	2020 €'m	2019 €'m	2020 €'m	2019 €'m
5% increase in loss ratios	(55.1)	(67.7)	(48.2)	(59.3)
5% decrease in loss ratios	55.1	67.7	48.2	59.3

The Vhi Board's method for sensitivity testing has not changed from the prior financial year.

34. Insurance risk management continued

Claims development tables

The following tables show the development of claims over a period of time on both a gross and net of reinsurance basis. The top half of the table shows how the estimates of total claims for each accident year develop over time. The lower half of the table reconciles the cumulative claims to the amount appearing in the balance sheet.

The below tables show the information for 2014 to 2020 only, as information pertaining to prior years is not available due to underlying methodology changes in the reserving process.

Analysis of claims development

	2014 €'m	2015 €'m	2016 €'m	2017 €'m	2018 €'m	2019 €'m	2020 €'m	Total €'m
Gross Estimate of ultimate claims:								
End of accident year	1,478.7	1,461.1	1,488.0	1,492.5	1,439.5	1,487.1	1,183.0	
One year later	1,326.1	1,334.6	1,365.5	1,338.1	1,337.2	1,407.7		
Two years later	1,304.4	1,307.3	1,340.4	1,312.8	1,323.2			
Three years later	1,296.6	1,295.9	1,331.8	1,309.0				
Four years later	1,290.4	1,290.5	1,330.6					
Five years later	1,286.2	1,289.4						
Six years later	1,282.4							
Current estimate of ultimate claims	1,282.4	1,289.4	1,330.6	1,309.0	1,323.2	1,407.7	1,183.0	
Cumulative payments	1,278.9	1,282.8	1,317.6	1,296.6	1,310.2	1,368.5	870.1	
In balance sheet	**3.5**	**6.6**	**13.0**	**12.4**	**13.0**	**39.2**	**312.9**	**400.6**
Provision for prior Accident Years (2013 & Prior)								1.2
Liability in balance sheet								**401.8**

Analysis of claims development – Net of Reinsurance

	2014 €'m	2015 €'m	2016 €'m	2017 €'m	2018 €'m	2019 €'m	2020 €'m	Total €'m
Estimate of ultimate claims:								
End of accident year	605.9	1,028.6	1,047.4	1,051.7	1,439.5	1,487.1	1,183.0	
One year later	532.7	935.1	956.9	937.6	1,337.2	1,407.7		
Two years later	522.6	915.5	938.6	919.1	1,323.2			
Three years later	519.2	907.3	932.4	916.4				
Four years later	516.5	903.4	931.6					
Five years later	514.6	902.6						
Six years later	513.0							
Current estimate of ultimate claims	513.0	902.6	931.6	916.4	1,323.2	1,407.7	1,183.0	
Cumulative payments	511.5	898.0	922.3	907.7	1,310.3	1,368.4	870.1	
In balance sheet	**1.5**	**4.6**	**9.3**	**8.7**	**12.9**	**39.3**	**312.9**	**389.2**
Provision for prior Accident Years (2013 & Prior)								0.1
Liability in balance sheet								**389.3**

35. Subsidiary undertakings

The Vhi Board is the parent of Vhi Group DAC and the ultimate parent of Vhi Insurance DAC, Vhi Healthcare DAC, Vhi Group Services DAC, Vhi Health and Wellbeing Holdings DAC, Vhi Health and Wellbeing DAC, Vhi Occupational Health DAC, Vhi Abbey DAC, Vhi Portfolio DAC, Vhi Health Services DAC, Vhi Cumhdach DAC and Áras Sláinte Limited (ASL) at 31 December 2020.

Vhi Group DAC is the holding company for the Vhi group companies and the Vhi Board holds 100% of the shares in Vhi Group DAC. Vhi Group DAC holds 100% of the shares of Vhi Insurance DAC, Vhi Healthcare DAC, Vhi Group Services DAC and Vhi Health and Wellbeing Holdings DAC. The other subsidiary companies shown in the table below are 100% subsidiaries of Vhi Health and Wellbeing Holdings DAC. Vhi Group DAC and Vhi Health and Wellbeing Holdings DAC are Irish registered companies with a registered address at Vhi House, 20 Lower Abbey Street, Dublin 1.

Subsidiaries	Country of Incorporation	Registered Address	Nature of Business	Holding by Vhi Group DAC (Directly or Indirectly)	%
Vhi Insurance DAC	Ireland	Vhi House 20 Lower Abbey Street Dublin 1	Insurance	€5,000,000	100
Vhi Healthcare DAC	Ireland	Vhi House 20 Lower Abbey Street Dublin 1	Retail Intermediary	€1	100
Vhi Group Services DAC	Ireland	Vhi House 20 Lower Abbey Street Dublin 1	Shared Services	€1	100
Vhi Health and Wellbeing Holdings DAC	Ireland	Vhi House 20 Lower Abbey Street Dublin 1	Holding company	€1,577,966	100
Vhi Health and Wellbeing DAC (formerly Vhi Investments DAC)	Ireland	Waverly Office Park Old Naas Road Dublin 12	Provision of health services and minor injury clinics	€1	100
Vhi Portfolio DAC	Ireland	Vhi House 20 Lower Abbey Street Dublin 1	Property rental activities	€1	100
Vhi Occupational Health DAC	Ireland	Vhi House 20 Lower Abbey Street Dublin 1	Recruitment and occupational health services	€1	100
Vhi Abbey DAC (formerly Vhi RI DAC)	Ireland	Vhi House 20 Lower Abbey Street Dublin 1	Property Development Services	€1	100
Vhi Health Services DAC	Ireland	Vhi House 20 Lower Abbey Street Dublin 1	Provision of health services	€700	100
Vhi Cumhdach DAC (formerly Vhi Health and Wellbeing DAC)	Ireland	Vhi House 20 Lower Abbey Street Dublin 1	Medical, health and wellbeing services	€1	100
Áras Sláinte Limited	Ireland	Vhi House 20 Lower Abbey Street Dublin 1	In liquidation	€1	100

36. Related party transactions

As with many other entities, the Board deals in the normal course of business with Government sponsored agencies, including the Health Service Executive through the public hospitals and with Government owned financial institutions. The Minister for Health also appoints the members of the Vhi Board. Transactions with Government related parties, therefore, include claims and other expense and taxation payments, banking and investment transactions. Details of such transactions are not disclosed separately as it is the view of the Board that it would not constitute information useful to the readers of the financial statements.

Interests of Board Members and Secretary

The Board Members had no beneficial interest in the Voluntary Health Insurance Board or its subsidiaries at any time during the year. Please see note 35 for interests in subsidiary undertakings.

The total remuneration of the Vhi Board key management personnel for the financial year ending 31 December 2020 was €2.9m (2019: €3.2m), of which remuneration in respect of directors disclosed in Note 8 comprises €1.3m (2019: €1.3m).

Intra group transactions

There are a number of intra group transactions within the Vhi Group which are described below:

- The Vhi Board is the administrator of the Vhi Group Pension fund and as such has intra group transactions regarding the pension fund with Vhi Group Services DAC, Vhi Insurance DAC, Vhi Healthcare DAC and Vhi Health and Wellbeing DAC. There were no outstanding balances in the financial statements of the Vhi Board at 31 December 2020.
- Vhi Group DAC is the holding company for the Vhi Group. Vhi Group DAC has an intra group loan agreement in place with Vhi Group Services DAC, Vhi Abbey DAC, Vhi Portfolio DAC and Vhi Health and Wellbeing Holdings DAC.
- Vhi Insurance DAC is authorised by the Bank to sell approved non-life Insurance products for specific classes of business. Vhi Insurance DAC has an agency agreement in place with Vhi Healthcare DAC (regulated as a Retail Intermediary by the Bank) to sell and administer its policies.
- Vhi Health and Wellbeing DAC provides home infusion and related services. Vhi Health and Wellbeing DAC provides services to the other Vhi group companies. Vhi Health & Wellbeing DAC also owns the line of business which trades as Vhi SwiftCare. The Vhi SwiftCare clinics exclusively provide services to Vhi Insurance DAC members.
- Vhi Group Services DAC is a shared service provider for the Vhi group companies and as such has transactions with the other entities within the Vhi group.
- Vhi Occupational Health DAC provides recruitment services to Vhi Health and Wellbeing DAC.
- Vhi Abbey DAC provides property development services to other group companies.

37. Subsequent events

As discussed in the Directors’ Report, in January 2021, a new arrangement was agreed between the HSE and the private hospitals whereby private hospitals would provide treatment to non-COVID-19 patients of the public hospitals. Vhi is assessing the impact of these developments and will take the necessary actions to assure fair outcomes for its customers and prudent sustainable business operation. There have been no other significant subsequent events affecting the Vhi Board or any of its subsidiary companies since the balance sheet date.

38. Legal cases

The Vhi Board is satisfied that there are no material legal cases pending.

39. Approval of financial statements

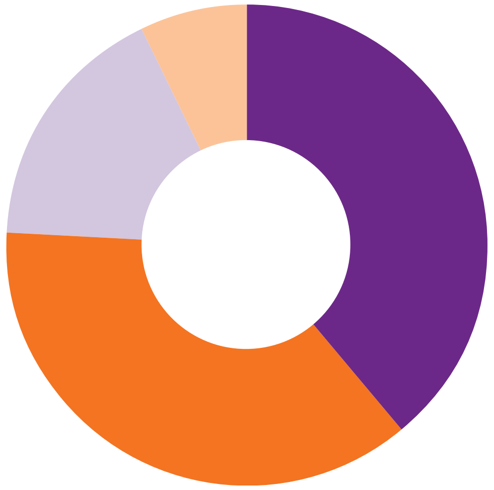
These financial statements were approved by the Board of Directors on 31 March 2021.

Energy Management and Sustainability

In 2020 Vhi Healthcare consumed 5,885,211kWh of energy, consisting of:

3,941,883kWh
Electricity

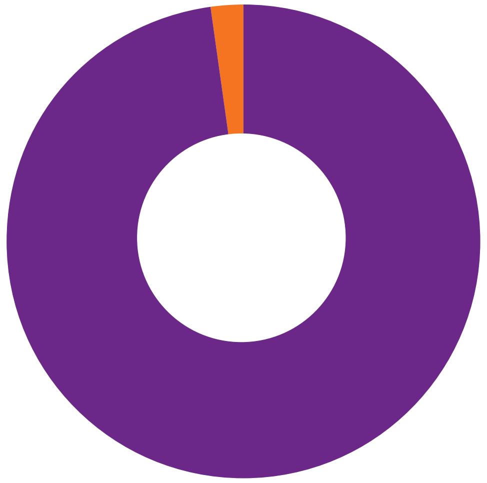
The main energy users with estimated percentage consumption breakdown for electricity include:



Heating, ventilation and air conditioning	39%
ICT	37%
Lighting	17%
Kitchen	7%

1,943,328
Fossil fuel (natural gas)

The main energy users of natural gas with estimated percentage consumption breakdown include:



Space heating and hot water services	98%
Kitchen	2%

Actions Undertaken in 2020 included:

- Upgrading the air conditioning system in Vhi Kilkenny
- Ongoing optimisation of building energy management system control strategies for heating ventilation and air conditioning plant in the Vhi Kilkenny and Vhi Abbey Street.

Energy saving actions undertaken in 2020, together with existing energy conservation measures, provided estimated total annualised energy savings of 134,600 kWh and reduced the environmental impact of energy use by 51,660kg CO_2.

Actions Planned for 2021

The Government Climate Action Plan obliges the public sector, including semi-state bodies, to achieve at least a 50% reduction* in carbon dioxide equivalent (CO_2 eq.) emissions by 2030 and a 50% improvement in energy efficiency by 2030.

Actions planned for 2021 include:

- **Energy Management Programme:**
  Vhi will develop the energy management programme and a decarbonisation strategy to continuously improve energy efficiency, reduce carbon emissions, and to assist with addressing 2030 energy efficiency and carbon emission targets.
- **Energy Monitoring and Targeting:**
  Develop the energy monitor and targeting system to support the energy management programme.
- **Renewable Energy:**
  Implement renewable energy projects including solar photovoltaic systems.
- **Heating, Ventilation and Air Conditioning:**
  Optimisation of building energy management system control strategies for heating ventilation and air conditioning plant.
- **LED Lighting:**
  Continue replacing fluorescent lighting with LED lighting

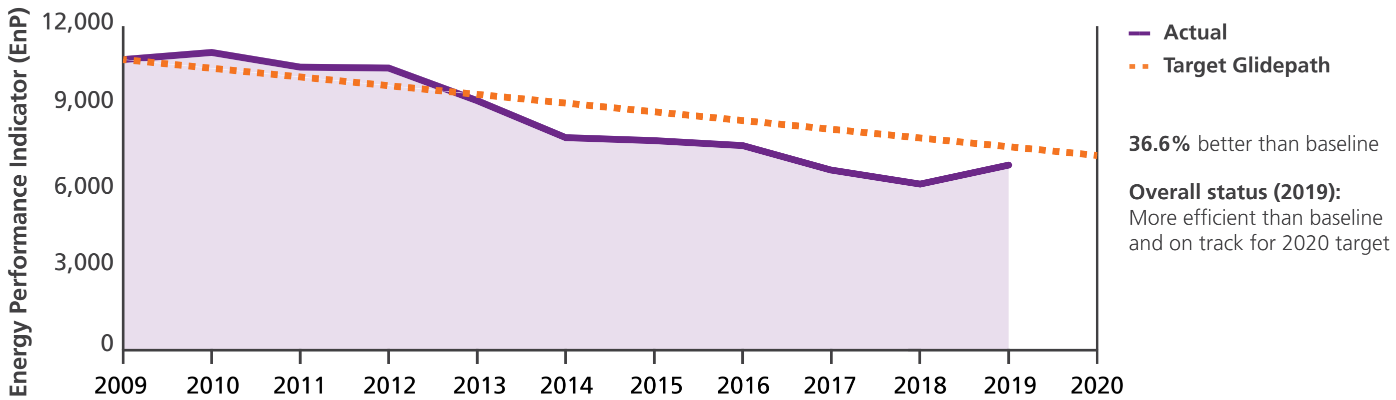
*Provisional Target

Vhi's energy efficiency and energy management programme is governed by national public sector obligations with regard to energy management and energy efficiency

The National Energy Efficiency Action Plan (NEEAP) sets a target for the public sector to improve its energy efficiency by 33% by 2020 and play an exemplary role in terms of energy efficiency and reducing carbon emissions. All public bodies, including semi-state bodies, are required to report detailed energy data on an annual basis using the Sustainable Authority of Ireland (SEAI) online Monitoring & Reporting (M&R) System which this is used to track their progress towards the 2020 energy efficiency target of 33%.

Energy savings since baseline

Based on the 2019 SEAI's M&R energy reporting, Vhi has improved it's energy efficiency by 36.6 % since 2009 and reduced it's overall Carbon Footprint by 29% (721,855 $kgCO_2$) since 2009



Company Details

Contact Information

Telephone
1890 44 44 44
056 444 4444

Lines Open
8am–7pm
Monday–Friday
9am–3pm
Saturday

Email/Website
info@vhi.ie
www.vhi.ie

Digital TouchPoints

Vhi Digital Medical Assistant App

www.vhi.ie

MyVhi.ie

Branch Offices

Dublin/Registered Address
Vhi House,
Lower Abbey Street,
Dublin 1

Cork
Vhi House
70 South Mall
Cork

Kilkenny
IDA Business Park
Purcellsinch
Dublin Road
Kilkenny

Administrative Offices

Galway
Unit 10 & 11 Tornóg,
Headford Road,
Galway

Donegal
Údarás na Gaeltachta
Business Park,
Gweedore,
Co Donegal

Limerick
7th Floor,
Riverpoint,
Bishop's Quay,
Limerick

Vhi Clinical Practices

Vhi SwiftCare Clinic
Rockfield Medical Campus
Balally, Dundrum,
Dublin 14

Vhi SwiftCare Clinic
Columba House,
Airside Retail Park,
Swords, Co. Dublin

Vhi SwiftCare Clinic
City Gate, Mahon,
Cork

Vhi Paediatric Clinic
Rockfield Medical Campus
Balally, Dundrum,
Dublin 14

Vhi Medical Screening Centre
City Gate, Mahon,
Cork

Vhi Medical Screening Centre
Europa House,
Harcourt Street, Dublin 2

Vhi Medical Screening Centre
Waverley Business Park,
Old Naas Road, Dublin 12

Vhi Medical Screening Centre
Unit 10 & 11 Tornóg,
Headford Road, Galway

Vhi Hospital@Home
Waverley Business Park,
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Headford Road, Galway

Vhi Corporate Solutions
Waverley Business Park,
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Vhi 360 Health Centre
Citygate House,
Raheen Business Park, Limerick

Corporate Information

Bankers
Allied Irish Bank
7–12 Dame Street,
Dublin 2

Solicitor
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Riverside One,
Sir John Rogerson's Quay,
Dublin 2

Independent Auditors
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Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House,
Earlsfort Terrace,
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