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Summary

Source	Media	Headline	Date	Page
Sunday Times Money	PRESS	Latecomers face health cover pain	30-May-2010	1

Latecomers face health cover pain

The government is planning heavy charges on delayed entry to insurance policies as it prepares to sell VHI, writes Niall Brady

CUSTOMERS who delay buying health insurance are facing punishing penalties of up to 80% from next year — pricing many out of the market for good.

As part of last week's decision to privatise VHI, the government will work on a system of late-entry loadings in the coming months. This will remove the incentive for people to postpone buying cover until their health deteriorates in later life, taking advantage of regulations that ensure they cannot be charged more than those who are young and healthy.

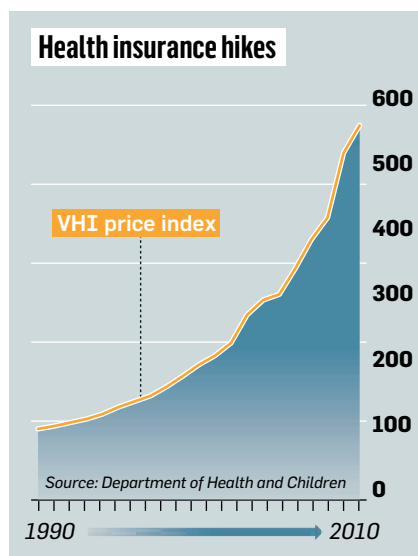
The Department of Health and Children said the scale of the late-entry penalties had yet to be decided. Previous government proposals, however, sought to introduce loadings that started at 10% for life for those buying cover for the first time after 30. These rose to 25% for latecomers starting after 45, 45% after 55 and 80% after 65.

An 80% loading would push the cost of VHI's Plan B to more than €1,630 a year for pensioners buying cover for the first time, compared with €907 for those buying the same policy before 30.

Jeremy Tucker of BuyHealthInsurance.ie, a broker, said: "Age-related loadings are beneficial because they stop people taking a free ride on the system. It's not fair that those who have paid for insurance all their lives should be charged the same as

somebody of the same age who decides to buy cover for the first time."

Insurance experts urge those considering whether to buy cover not to delay. Dermot Goode of HealthInsuranceSavings.ie, another broker, said: "Anyone over 30 who has no insurance can expect to pay a lot more for cover before too long."



Premiums are also set to soar for those who have cover. The health insurance levy, imposed by the government on all policies to help prop up VHI, added €160 to the costs of cover for adults and €53 for children last year.

Mary Harney, the minister for health, increased the levy this year to €185 for adults and €55 for children — overruling requests from VHI to double the charge.

The 2011 levy will be decided in the coming months.

"The levy was supposed to end next year but now it has been extended to 2012," said Goode.

"If VHI's claims experience continues to deteriorate, we'll be looking at substantial increases. The government will do whatever it takes to fatten up VHI before it is sold."

Premiums are also under pressure from government plans to force insurers to provide more benefits — including cover for everyday health expenses and preventative health measures in addition to hospital benefits.

The extra cover is expensive and may offer poor value. Families with two children, for example, currently pay €2,400 a year for Aviva's Level 2 Everyday plan, which provides outpatient and hospital cover. A similar policy with hospital-only cover costs €2,030 — €370 less.

"You would have to spend €850-€900 a year on doctors and medical consultants to get back the extra €370 you are paying for outpatient cover," said Goode.

"That's because it only pays half the cost of GP visits and a fixed contribution towards the costs of seeing a specialist, which wouldn't cover even half of the bill."

