



**cornmarket**  
group financial services ltd

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8/12/4/05  
3pm.*

Mr. Declan Purcell,  
Advocacy Director,  
The Competition Authority,  
Parnell House,  
14, Parnell Square,  
Dublin 1.

10<sup>th</sup> April, 2006

Dear Mr. Purcell,

I am writing to outline our thoughts in relation to the current situation with regard to the regulation of the health insurance industry in Ireland. We in Cornmarket provide financial services, in the main, to individual members of a large number of public sector trade unions. As such we are regulated as authorised advisors by the Financial Regulator to provide advice on a broad range of financial services including health insurance.

Although our service in the area of health insurance includes a comparison of the various benefits and costs involved of the offerings available from the three players in the market – VHI, BUPA and VIVAS Health – we are at this point in time only in a position to recruit members to VIVAS Health. This reflects the fact that it is not part of BUPA's or VHI's distribution strategy at present to market their products through intermediaries.

In the course of our work over the past year or so we have found there to be considerable interest among our customers in researching alternative options to their current health insurer. Indeed in analysing our customers' health insurance needs we have found that many of these customers can achieve reasonably substantial savings by transferring their cover to another insurer. In the course of this work we have identified a number of areas where obstacles stand in the way of those customers who wish to transfer their health insurance cover. These include:-

- 1. Salary Deduction Mechanisms:** Inevitably, given its position in the Irish market, the VHI has been in a position to establish salary deduction mechanisms with the majority of companies in Ireland. However, the reality is that the same facilities are often not available to other health insurers. This in part reflects the fact that companies are often reluctant to add new deduction boxes on their payslips or incur what they see as additional administrative costs involved in providing their staff with further choices in the area of health insurance. This can act as a barrier for customers who wish to switch to another insurer as many are reluctant to forego the advantages of paying their health insurance contributions through salary for what they see as the more cumbersome arrangement of paying by direct debit.
- 2. Travel Insurance:** We understand that currently the VHI's travel insurance policy requires that the customer remain a member of VHI's health insurance policy for the duration of the term of the travel insurance. This means that should a customer decide to transfer their health insurance away from the VHI they may risk being without cover on their travel insurance policy. We

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believe the linking of the health insurance and the travel insurance product in this way acts as an obstacle to those who wish to transfer their health insurance cover.

3. **Company Schemes:** Given that most companies have a 'group' VHI Scheme in place for their employees (regardless of whether the Scheme is actually paid by the company or the employee on an individual basis), many customers feel that they cannot switch from VHI. This is in part because they believe that they will not receive the same 10% group discount from other insurers in the market. On other occasions it's because the company does not offer any real choice to their employees about where they can place their health insurance. Again this results in the perception among many customers that they cannot move their health insurance cover.
4. **Lack of consumer information:** The rules regarding waiting periods and other penalties on switching can be complex and confusing for consumers. In addition the access to information in this area is limited leaving customers with the concern that there may be additional strings attached or downsides to any decision they make to move from one health insurer to another. The result again can be a reluctance among customers to transfer their health insurance even though in the majority of cases there is no risk for them of incurring waiting periods, etc.

While the obstacles we have listed are not exhaustive, they do highlight the fact that it is difficult in the present environment to transfer cover easily between providers. If the Authority can remove some of these barriers, it is our view that a greater degree of competition will exist – to the long term benefit of the consumer.

We are willing to discuss the issues with you in more detail, if required.

Yours sincerely,

  
PP Robert Power  
Director