MONEY

FIZZY RASCALS
DERRY CLARKE'S DESPAIR AT YOUNGSTERS BLOWING THEIR PRICY BUBBLES
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Saving on insurance is a perfect remedy

Healthy rate reductions, deals and discounts for medical policies are better than they have ever been, writes *Grainne Rothery*

Competition in the private health insurance market is heating up with all three providers — VHI Healthcare, Laya Healthcare and Irish Life Health — reducing rates on certain plans, offering discounts for children and introducing additional benefits in recent months. But while the affected plans may be better value than they were, all policyholders should be reviewing their cover on a regular basis to ensure they are getting the most they possibly can for their money.

VHI has been cutting rates this year. The insurer reduced the cost of most of its plans by an average of 5.5% from March 1. The company said the reductions apply to nearly 90% of customers.

At the beginning of July, it reduced premiums on 53 plans by between 1% and 3%, and introduced a "half-price kids" offer on three plans. The insurer said it would allow all members of these plans to benefit from the reductions immediately rather than having to wait until their renewal date.

VHI is also running a special promotion until September 1 to encourage customers to sign up to pay their premiums by direct debit and receive documents online. Under the Online Advantage scheme, customers will receive a one-off payment of €50 for signing up for automated payments and a further €50 per adult if they opt to receive documentation online. The offer is open to new and existing customers.

The money is available to customers who are already paying by direct debit and paperless, said health insurance adviser Dermot Goode of Totalhealth.ie. "If you haven't already done so, you must click on Online Advantage on the VHI website and opt in before September 1."

Irish Life Health changed the prices across a large number of plans from June 12, ranging from a 10% reduction to an increase of 3%. The company is also offering one month free on all of its BeneFit plans for customers who join by September 30.

At the beginning of July, Laya applied a price change to 127 plans, ranging from a 19% reduction to a 6% increase on adult premiums, and ended its free kids offer. At the same time, the insurer announced the launch of its 24/7 Mental Wellbeing Support programme, which is open to all members aged over 16 who join or renew after July 1, 2018. As well as offering counselling services, the programme provides access to legal, financial and tax advice, mediation and career guidance.

From September 1, Laya Healthcare is increasing the price on two of its plans (360 Care and 360 Care Select) and reducing the premium on Connect Care 100. On the same date, it's also offering free cover for second and subsequent children on its Essential Connect Health plan if the first child is insured, costing €396.83).

"VHI has thrown the gauntlet down and the others have reacted," said Goode. "It's a good time for people renewing and thinking of joining because we haven't seen anything like this in terms of rate reductions, deals and discounts."

Thankfully most people's medical experiences are far less dramatic than those portrayed in the TV series House, but the health insurance market is worth watching for deals

> **Even though people are paying a lot of money for their insurance, many won't do anything because their price hasn't gone up this year**

While it is good news for consumers, there is a risk that these price reductions and discounts could see many people automatically renewing existing policies rather than shopping around for the best deals. "Even though people are paying a lot of money for their insurance, many won't do anything because their price hasn't gone up this year," said James Durkan, managing director of Moneysave.ie. "But there's always value to be had if you shop around every single year."

The numbers switching between health insurers is low. Research carried out for the Health Insurance Authority (HIA) in 2017 indicates that just 22% of policyholders have ever switched between insurance providers. Of those who have switched, 63% have only done so once. The average length of time for having a private health insurance policy is 18 years, while policyholders have been with their current provider for an average of 15 years.

"The HIA recommends that consumers actively review their health insurance policy and the market's offerings to ensure that they are receiving value for their money, as it is possible that they're currently over-insured and overpaying," said a spokesman for the HIA.

Goode estimated that three out of every five health insurance members are currently on the wrong plan. "And at least 20% — or 400,000 people — are still on very good but very dated and massively expensive plans, like VHI Plan, Laya Essential Plus, or Irish Life Level 2 Hospital," he said.

"They're good plans but they all cost well over €2,000," he said. "If people on these plans are open to switching, they can save easily up to €1,000 each per adult by moving to a more up-to-date plan, and often they can stay with the same insurance company."

The HIA has estimated older customers on more expensive legacy plans could potentially make savings of more than €1,300 a year.

The authority said customers who switch between providers will not be penalised. "An insurer may only apply waiting periods to additional cover on the new plan and they must cover you up to the level of the old plan with no waiting periods."

Goode said: "People think they're getting extra benefits by staying with their current provider. There are no benefits whatsoever — you don't build up any kudos or no claims bonus and nor do you lose anything if you start claiming straight away."

At the moment, there are more than 340 plans available between the three insurers, offering everything from entry level to gilt-edge cover and ranging in price from €439.93 for VHI's Start Plan to just over €8,000 for Laya's Health Manager Gold.

Sifting through the options can be a challenge. The health insurance comparison tool on the HIA website is a good starting point.

All individuals can avail of corporate plans and Durkan believes everyone should. Each of the providers develops new corporate deals each year to try to win business from existing companies and new organisations setting up in Ireland, he said. "As brokers, we'd always advise people to find out what the latest corporate plans available are as they'll always be better value. You just have to know the name of the plan."

Family members don't all have to be on the same plan. "There could be some situations where you're recommending four different family members have four different plans," said Durkan.

He recommended taking on an excess. "A small excess massively reduces the price of your health insurance. It is important to understand how the excesses work and whether they apply per claim or per night."

Doing your research beforehand and being prepared to spend time talking to your insurance company is key. "If you phone up and you've done no homework and you're rushing, then they have you," said Goode. "They'll offer you one of their off-the-shelf plans and you may miss the best deal.

"You're much better off if you know what plan you want to find out about. The better prepared you are the better the outcome will be."

MARKET MOVER JOHN BRUDER

John Bruder is managing director of Burlington Real Estate, the investment adviser to the Appian Burlington Property Fund. The fund was established in November 2016 to invest in Irish commercial property and is run by Appian Asset Management, which has more than €800m in assets under responsibility. Bruder is a former chief executive of Treasury Holdings in Ireland and a former head of property with AIB Investment Managers. The minimum investment is €100,000.

Fund philosophy
The fund invests in office, retail and industrial properties in the greater Dublin area and regional urban centres. The ability of properties to generate income is a key component of the fund, which is generating about 7% of the properties' value.

The fund generally buys to hold for the long term, with no more than about 20% of the portfolio subject to active asset management at any time. "This will assist in minimising risk for investors and maintain a healthy level of regular income from the portfolio," says Bruder.

Performance
The fund's net asset value per share increased 6.16% in the six months to June 30, 2018, bringing the total increase in net asset value per share since inception to 10.25%.

In the medium term, the fund is targeting annual returns of 8% to 10% after costs, inclusive of 5% income.

Buying and selling
The fund typically spends between €5m and €15m on individual properties. It has to date acquired seven office and retail properties with a combined valuation of €43m in Dublin, Cork and Drogheda, Co Louth.

In May, it completed the acquisition of the Boroimhe shopping centre in Swords with a SuperValu supermarket as the anchor tenant, for €9.25m.

This followed a deal to buy Beaver House, an office block in the Beech Hill office park in Clonskeagh, south Dublin, for about €8.5m. It also negotiated a 34% rental increase with a multinational tenant on part of an office property in south Dublin that it acquired last year but where the rent had been unchanged for six years.

"We've bought well, and market rents are rising above the levels they were at when we bought," says Bruder.

The fund is evaluating a number of new transactions in and around Dublin. "We're starting to look more closely at industrial investment properties," says Bruder. "Over time, I expect we'll be diversified across all sectors, with between 30% and 50% in office, much the same in retail, and up to 20% in industrial."

Outlook

"We are still a long way from the peak in commercial property values in 2007 — about 40% off," says Bruder. "Some sectors are fully priced, such as Dublin city centre, but others, such as offices in suburban Dublin, are still below replacement cost, which is a key measure. We're looking at rents in prime retail property outside Dublin that are less than half their peak."

Bruder says yields are attractive and getting better, and that demand from occupiers is growing.

"Brexit is likely to benefit the Dublin property market but it also creates uncertainty that may slow investor confidence," he says. "But the economic fundamentals are very supportive of continued recovery in the property market."

Gary Connolly

Keep faith in Rip van Winkle and you'll never lose sleep

On the day I was born, the US stock market, as measured by the S&P 500, closed at 112. At the end of last month, it stood at 2,802 — a multiple of 24 times its 1972 level. Of course, that excludes dividends, as most indices do. My lifetime return including dividends is more than 96 times ($1,000 invested is now $96,000).

During this period, the market has experienced short-term declines averaging a little above 15% every year. In six of those years, there were declines in excess of 25% about every seven years.

Yet the greatest risk to anyone investing in my lifetime has not been whether they were in the market during these tough declines — it has been whether they were out of the market for the far more frequent advances.

To the extent that this is a timeframe beyond the grasp of any reasonable investor, let's update it. We are approaching the 10th anniversary of the collapse of Lehman Brothers. It filed for bankruptcy protection on September 15, 2008, after which the S&P500 declined by more than 40%. A dollar invested in the S&P 500 on the eve of Lehman's collapse would be worth slightly more than $2.75 today.

With the benefit of hindsight, not a soul on the planet would not have wanted to invest every last cent in the market on that night a decade ago. The few hardy souls who stuck it out during 2008 are the reason stock markets deliver wealth transfer from the ill-prepared to the patient and disciplined.

Stock market investors generally worry about the wrong things. Some in the financial media use "crash" as a substitute for breathing, as in the coverage that accompanied Facebook's recent share-price decline.

The stock market experiences significant short-term volatility, but the great mistake is to conflate this with long-term risk. There has never been a 20-year period when the S&P 500 did not deliver a positive return.

What has been labelled the Rip van Winkle approach bears examination. You may remember the short story by Washington Irving in which Rip sleeps for 20 years and wakes up in a world that is shockingly changed and hauntingly familiar.

A Rip van Winkle review of financial markets over the past 20 years would likely conclude that nothing much has changed. A stock market return of a little less than 7% per annum for the most recent 20-year period, ending last month, looks slightly anaemic next to a long-term return of closer to 10%.

However, inflation during this period has been considerably lower than its long-term average, resulting in a real (after inflation) return that is close to its long-term average. Familiar?

Maybe the future will be unlike the past, but that is no different from believing "this time is different" — the four most expensive words in investing. This time is never different.

I do concede, however, that you must be prepared for the next inevitable decline. There is no better time to get ready for the stock market's periodic bouts of wealth transfer than when the capital market seas are calm and the financial sky is blue, as they undeniably are at present.

So here's my tuppence worth (penny-for-your-thoughts merchants are already on the make).

We are nine years and counting into a bull market and concerns in relation to a downturn are justifiably high. I have no idea when, why or for how long this decline will happen. Hopefully the foregoing puts forward a thesis that none of these three things matters. If you think they do, please reread from the start.

Let's say your adviser has completed a financial plan and you have committed to investing for a long period. You are nervous about the timing. By all means, phase money in over 12 or 18 months and pray to the financial market gods that the market declines by 20%, 30% or more during this period.

A market decline for regular investors is the investment equivalent of a six-inch putt or a lob to the forehand: there's a chance of missing, but it's easier to put it away.

The only rational advice for Rip van Winkle, before he nodded off for 20 years, would have been to get him to call his adviser and tell them put it all into equities.

The ultimate saboteur of long-term success will be your behaviour during the investment time horizon, not the financial market upheavals that inevitably accompany it. Get in touch with your inner Rip van Winkle and leave well enough alone.

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