

Rebound expected in health insurance sector



Growth in the health insurance market slowed in 2020 but a rebound is expected based on government initiatives and an improving economy. Loss ratios will remain an area of concern.

By Osama Noor

Health insurance accounts for almost 59% of the market premium income in the Saudi insurance sector. In 2020, health insurance premiums totalled SAR22.84bn (\$6.01bn), a 1.6% growth over the preceding year and the lowest since 2016. In comparison, health premiums rose 13% y-o-y in 2019.

The COVID-19 pandemic and resultant economic fallout were major reasons for lacklustre growth in 2020.

Growth of health insurance premiums 2016-2020 (SAR billion)

Year	2016 (SAR)	2017 (SAR)	Growth %	2018 (SAR)	Growth %	2019 (SAR)	Growth %	2020 (SAR)	Growth %
GWP	18,630.30	19,035.50	2.2%	19,833.40	4.2%	22,474.90	13.3%	22,836.80	1.6%

Source: Saudi Central Bank (SAMA) annual report - 2020

GWP, NWP & Claims paid 2016-2020 (SAR billion)

	2016	% of total	2017	% of total	2018	% of total	2019	% of total	2020	% of total	Growth 2019-2020 (%)
GWP	18.63	50.5	19.035	52.1	19.883	56.8	22.475	59.3	22.836	58.9	1.6
NWP	18.095	58.7	18.411	59.7	19.319	64.3	21.622	68.3	21.924	68.5	1.4
Claims paid	14.548	55.8	15.479	58.3	17.629	64.7	18.541	65.2	18.665	69.4	0.7

Source: SAMA

Health insurance has been growing steadily since it was made compulsory for expats in 2005. Growth was further boosted in 2008 when the law extended coverage to include Saudi nationals working in the private sector.

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In recent years, the health insurance segment registered slower growth as most of the targeted population have been covered and many expats have departed the kingdom due to slower economic activity.

Badri Management Consultancy managing director Hatim Maskawala said, “The crisis has highlighted the importance of having a comprehensive health cover. However, the economic conditions and exodus of expatriate workers have caused reductions in both the average premiums (by companies opting for reduced benefits and networks) and total lives covered.”

Health coverage sector expected to grow

In 2010, there were 3m people covered by the compulsory health insurance. Last year, there were over 10.1m people covered, out of which 3.5m are Saudis. With the country’s Vision 2030, health insurance coverage is expected to rise.

Council of Cooperative Health Insurance (CCHI) secretary general Dr Shabab Bin Saad Al-Ghamdi said the plan is to cover 21.7m people by 2030.

“Private healthcare insurance currently covers 33% of the population, representing those working in the private sectors and their dependants. By 2030, the plan is to reach an equation where 60% (of population) are covered by the private health insurance and 40% covered by the state, which will stimulate growth in the insurance sector,” said Dr Al-Ghamdi.

Persons with health insurance coverage (2020)	Number	% of total
Saudi nationals (Employed at the private sector)	1,401,317	14%
Saudi nationals (Dependents)	2,109,382	21%
Non-Saudi (Employed at the private sector)	5,197,641	51%
Non-Saudi (Dependents)	1,398,533	14%
Total persons covered by health insurance policies	10,106,873	100%
Saudi population (2020 - UN Data)	34,813,871	
Number of health insurance companies	25	
Total number of TPAs	6	
Total Healthcare providers	5,665	

Source: Council of Cooperative Health Insurance (CCHI) website

He said the private sector was the main employer for locals and expats; therefore the number of insureds will increase notably in the future. Private health insurance will become the primary financier for healthcare services.

“Health insurance has contributed to the growth of private healthcare sector. In 2005 there were around 60 private hospitals and today the number has increased to 160. The insurance sector has the primary role of creating demand for the private healthcare sector ... (and) creating further employment opportunities.”

Health insurance penetration currently stands at 0.88% of GDP against 0.44% in 2010. “We plan to reach to a 2% contribution of GDP which is considered a healthy level by international standards,” said Dr Al-Ghamdi.

Loss ratios improve on lockdowns and fewer hospital visits

Health insurance, which accounts for 60% of the insurance

market GWP, has the highest retention rate (96%). Last year, the overall loss ratio for insurance fell to 77.5% from 81.9% in 2019 due to improvements in the loss ratio of health and motor insurance classes, according to the Saudi Central Bank’s (SAMA’s) market report for 2020.

A unified compulsory health insurance policy and the role which the CCHI plays in controlling the marketplace, including healthcare providers and insurers, have improved the outcome .

In 2020, lockdowns and fewer hospital visits improved loss ratios, said Mr Maskawala. “We have seen some of the claims getting deferred from the second quarter of 2020 to the later part of 2020. This meant that the clients who were up for renewal during the second and third quarter were demanding better terms than previous years due to loss ratios.”

Rising competition

Despite the improvement of loss ratios, Mr Maskawala said the level of competition has increased recently. “Given the quest for market share, we have seen more competition in pricing and rates, especially for SME business, drop to unsustainable levels. While 2020 has been profitable, we will see the impact in 2021 as loss ratios are expected to rise again.”

Generally, pricing in Saudi is done by actuaries. Previously, companies had to adhere strictly to the actuarial rate. “Due to the uncertainty and lockdowns, the actuarial pricing report submission in 2020 was removed. This does leave greater variability in the rates. In addition, there are new benefits introduced such as insurance companies having to pay for treatment in government hospitals which previously was borne by the government. This can cause the loss ratios to rise.”

Mr Maskawala emphasised that insurers need to pay more attention to health analytics, including the ones using third-party administrators. Insurers need to take control of their data and analyse it properly. “Currently companies in KSA do not undertake granular analytics e.g., looking at CPT, DRG codes since this is not present in all data sets. With standardisation of data coming in through the National Platform for Health and Insurance Exchange Services platform we expect this to improve further.”

NPHIES is a unified electronic services platform launched by CCHI and the National Center for Health Information aiming at creating technological transformation in the healthcare sector.

Looking ahead

This year will be tough for the health insurance business in Saudi Arabia as the claims experience reverts to pre-COVID-19 levels with reduced premiums and additional benefits, said Mr Maskawala.

“A silver lining is that due to precautions like wearing masks and continuous disinfecting, we will see reductions in viral flu and upper respiratory cases which are among the top non-chronic outpatient claims. On an overall basis, if the price reduction is not controlled quickly, we will see deteriorating loss ratios in 2021 in health and this year we will also not have the lower loss ratios of motor insurance to compensate for it.”