



GCC Health Insurance Report 2017



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Introduction

The health insurance landscape across the Gulf Cooperation Council (GCC) continues to evolve with numerous regulatory changes in recent years impacting the health insurance markets of the two largest insurance markets in the region, the Kingdom of Saudi Arabia and the United Arab Emirates, with further changes anticipated for the markets of Qatar, Bahrain, Kuwait and Oman. It is important for health insurance participants and other key healthcare stakeholders in the region to stay abreast of the changes, many of which could significantly impact the market.

Insurance markets in the GCC have remained spirited despite uncertain economic headwinds and hyperbolic oil prices. As GCC markets continue to mature due to shifting regulatory requirements, mandatory lines of business (primarily, health insurance) are driving overall growth. Profitability remains a key concern for insurers, since the vast majority remain general purpose insurance companies, as investment income is impacted by low interest rates, weak equity performance and a stagnant asset management (mainly real estate) market. Technical margins remain poorly governed by obsolete or nonexistent processes, outdated legacy systems, low productivity and high incidences of fraud, especially in again when it comes to health.

In increasingly competitive markets with price and margin pressures, a few insurers are cutting costs to maintain their bottom line. Despite these efforts, short-term financial results in some markets are impacted by regulatory change and the need for better reserving — leading some local payors to actively look at consolidation.

Low levels of penetration are both a challenge and an opportunity. We believe that insurers who willing to invest in innovation and digital technology in GCC markets will reap significant benefits. Penetration levels will improve as insurance companies break the barriers of traditional distribution channels. This will require insurers to adopt robust actuarial modeling techniques to improve pricing strategies, apply data analytics to reduce fraud, focus on customers and adopt advanced technology to revamp operations.

Although insurance has grown at an impressive double-digit rate in the last five years, regional penetration remains lower than in most of the world's emerging markets. Growth has primarily come from mandatory insurance coverage, i.e. third-party motor and health insurance. Life insurance and savings have made a negligible contribution, except for the UAE and Saudi Arabia. Commercial lines (i.e., property and engineering) have fared the worst due to poor economic conditions and receding growth in commerce and trade.

It is anticipated that economic activity in the region will revive, although at a slower rate than in the last decade. The industry has many potential opportunities to capitalize on the economic revival, specifically with large-scale government spending on infrastructure and mega projects.

Sincerely,

Dr. Mussaad M. Al-Razouki

Socio-Economic Status of the GCC

We have profiled six countries in the GCC region, inhabited by approximately 54 million people, including a sizeable foreign labor force, representing around 20%^[1] of the MENA population and considered by many to be the region's growth engine both in terms of population growth (from both natural birth rate and immigration) and in terms of economic development.

Indicator	Total population (in thousands)							CAGR	
	Time	2010	2011	2012	2013	2014	2015		2016
Country									
Bahrain		1,261	1,306	1,334	1,349	1,362	1,377	1,397	1.72%
Kuwait		3,059	3,239	3,420	3,594	3,753	3,892	4,007	4.60%
Oman		2,944	3,210	3,545	3,907	4,236	4,491	4,654	7.93%
Qatar		1,766	1,905	2,016	2,101	2,172	2,235	2,291	4.44%
Saudi Arabia		28,091	28,788	29,496	30,201	30,887	31,540	32,158	2.28%
UAE		8,329	8,735	8,953	9,040	9,086	9,157	9,267	1.79%
GCC Total		45,450	47,183	48,764	50,192	51,496	52,692	53,774	3.79%

Table-1, Source: UNESCO Statistics

Population Growth and Compounded Annual Growth Rate (CAGR) %

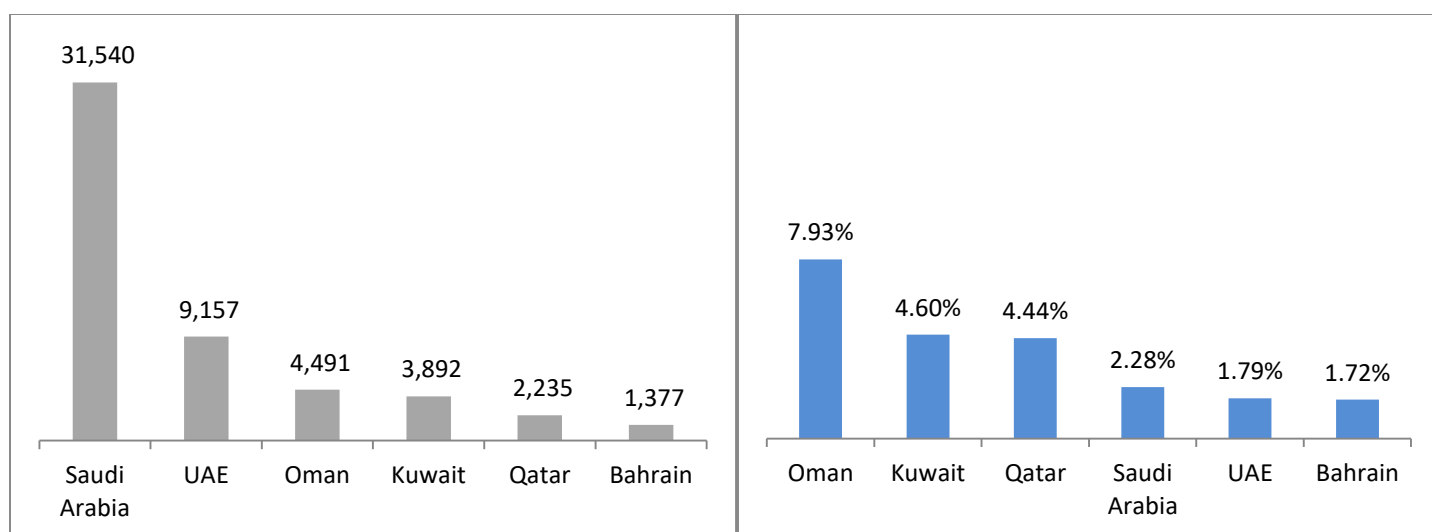


Chart-1, Source: UNESCO Statistics

The Gross Domestic Product (GDP) of GCC is calculated (Refer Table-2) at 1,400 billion USD (2015) with a Compound Annual Growth Rate (CAGR) of 3.87%, which significantly trails international best practices and regional comparisons such as the UK (3.46%), USA (3.70%) and Israel (4.79%). It is important to note that the six countries with the least populace of the Gulf Cooperation Council contribute to over 40% of total MENA GDP.

Indicator	GDP (in million current US\$)						CAGR %
Time	2010	2011	2012	2013	2014	2015	2010 - 2015
Country							
Bahrain	25,713	29,044	30,756	32,898	33,851	32,221	4.62%
Kuwait	115,419	154,028	174,070	174,161	163,612	112,812	-0.46%
Oman	58,641	67,938	76,341	78,183	81,797	70,255	3.68%
Qatar	125,122	169,805	190,290	201,885	210,109	166,908	5.93%
Saudi Arabia	526,811	669,507	733,956	744,336	753,831	646,002	4.16%
UAE	286,049	348,526	373,430	387,192	399,451	370,293	5.30%
GCC	1,137,755	1,438,848	1,578,843	1,618,655	1,642,651	1,398,491	3.87%

Table-2, Source: UNESCO Statistics

GDP growth and Compounded Annual Growth Rate (CAGR) %

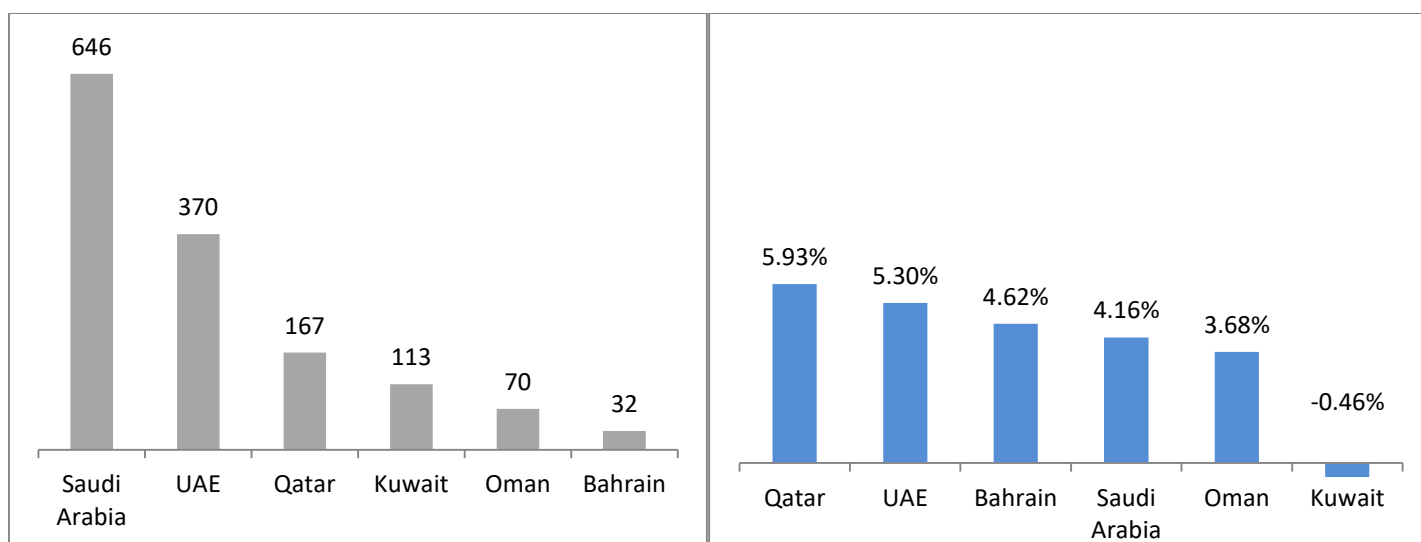
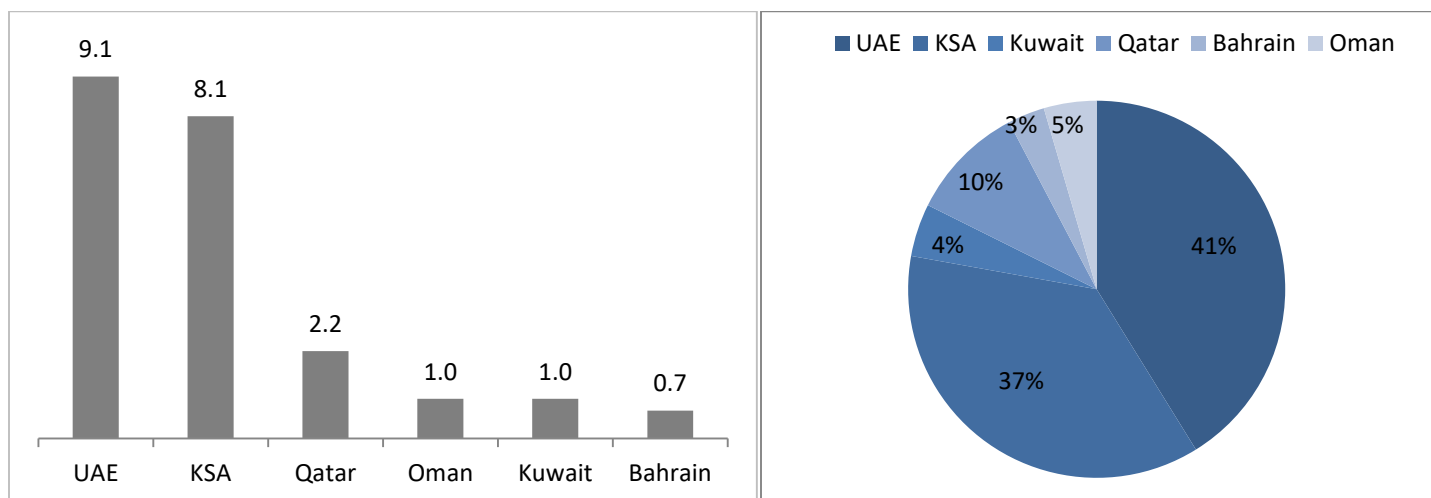


Chart-2, Source: UNESCO Statistics

Market Size of GCC Insurance Industry in \$USD Billion

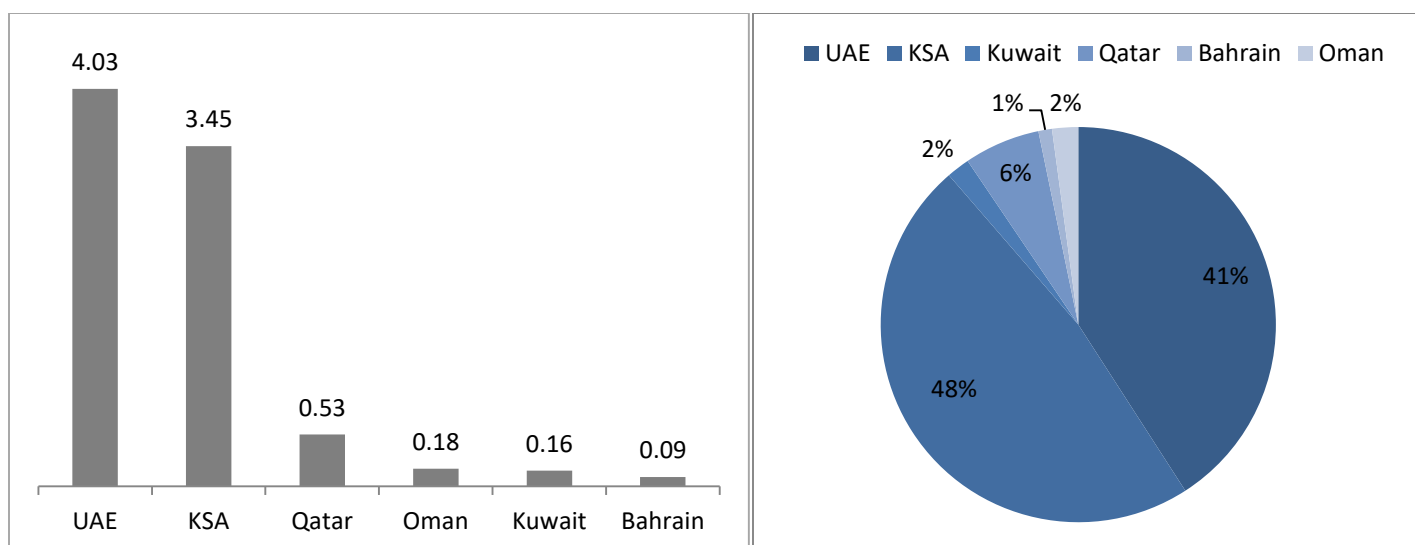
The market size of the GCC insurance industry is estimated as 22.1 USD billion ^{[2][3]}. Saudi Arabia and the UAE account for 78% of total market share with 17.2 billion USD. The rest of the GCC countries account for a mere 22% of total market share with 4.9 billion USD.



Source: Alpen Capital Report, SAMA Report, KLSC Analysis

Market Size of GCC Health Insurance Industry in \$USD Billion

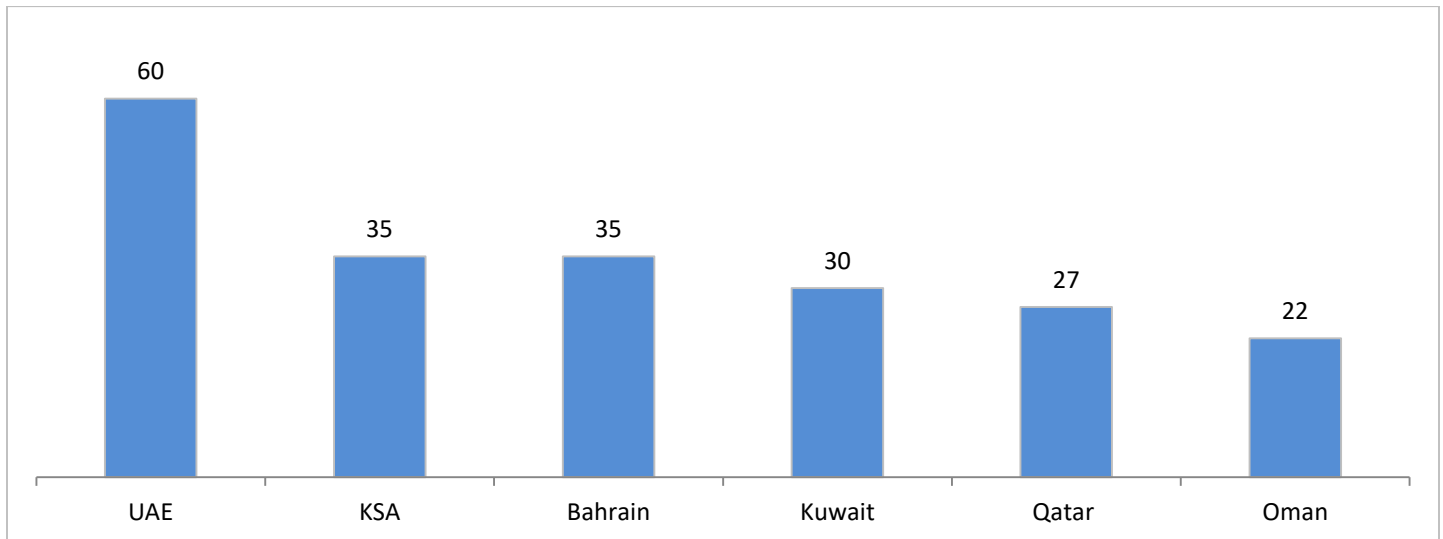
The market size of the GCC Health insurance industry is estimated to be 8.44 USD billion or roughly 38% of the entire regional insurance industry. Saudi Arabia and the UAE account for 88% of the market share with 7.48 billion USD. The rest of the GCC countries account for a mere 12% in total with ~1 billion USD.



Source: KLSC Analysis

Number of Insurance Companies in the GCC

There are around 210 insurance companies domiciled and operating in the GCC region^{[3][4][5][6]}. The vast majority (60) are based in Saudi Arabia followed by the UAE (35), Bahrain (35), Kuwait (30), Qatar (27) and Oman (22)



Source: SAMA Report, Insurance Authority Report UAE (2015), CBB Report (2015), MENA Insurance Review News

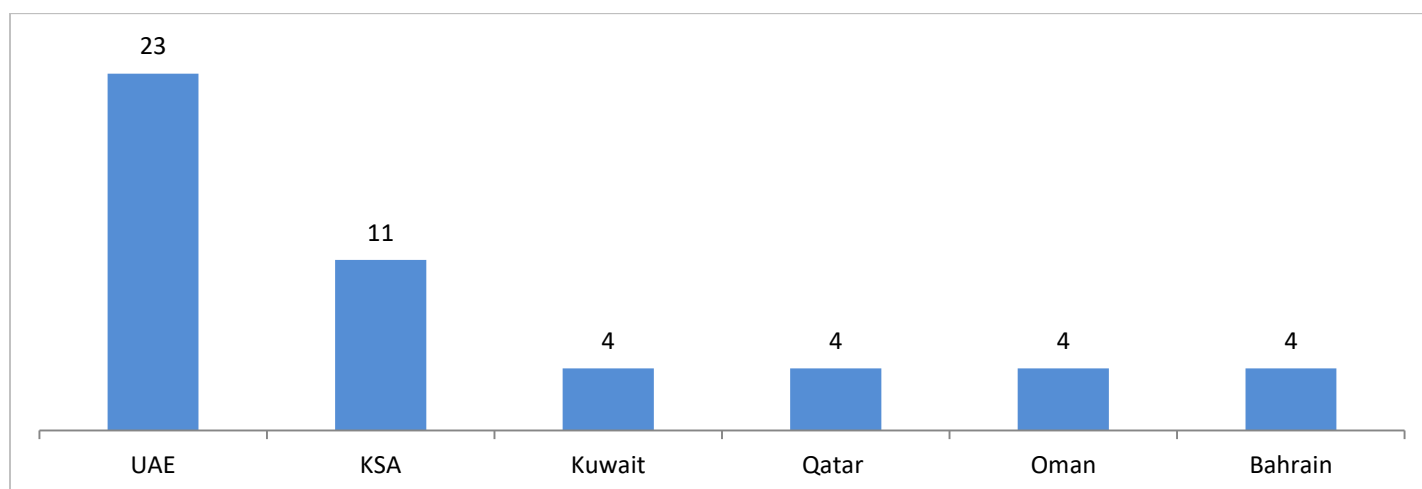
Number of Health (Only) Insurance Companies in the GCC

In comparison, there are only two health insurance companies presented in GCC region; **Bupa** in Saudi Arabia and **Daman** in Abu Dhabi, meaning that only 0.95% of all insurance companies are focused on health alone.



Number of Third Party Claim Administrators (TPA) in the GCC

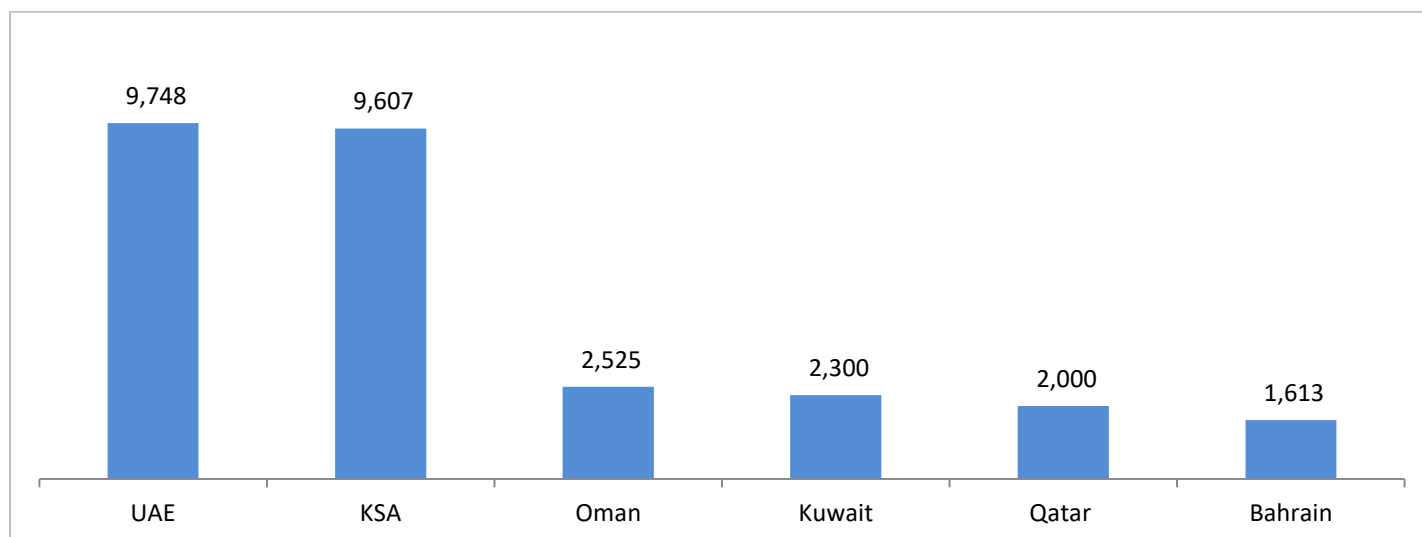
According to industry reports and KLSC analysis, around 50 TPA companies presented in GCC region. 68% of all TPAs are located in KSA (23) and the UAE (11) with many TPA's managing branch offices across multiple countries.



Source: SAMA Report, Insurance Authority Report UAE (2015), CBB Report (2015), MENA Insurance Review News

Number of Employees Working in the Insurance Industry across the GCC

There are a total of 27,793 employees in the insurance industry, representing an average of 132 employees per company across the GCC with KSA representing the highest number of employees/company ratio at 274.

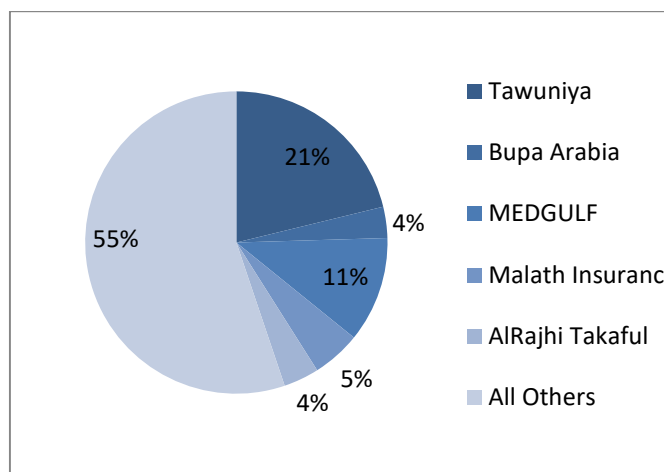


Source: SAMA Report, Insurance Authority Report UAE (2015), CBB Report (2015), MENA Insurance Review News

Gross Written Premium (GWP) Market Share in the GCC (All Insurance Subsectors)

Saudi Arabia: Market Share - Top 5 Companies Vs Others

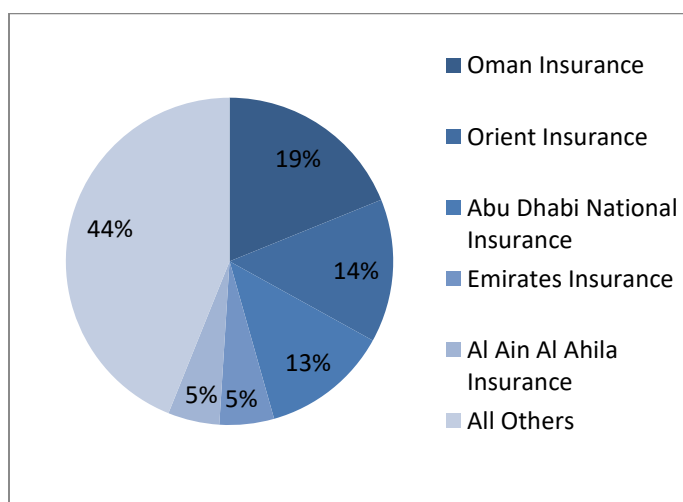
In Saudi Arabia, the top five companies' accounts for 45% of the national market share ^{[3][7]}. The top two companies control 32 % of the Saudi market, as represented by **Tawuniya** (21%) and **Medgulf** (11%).



Source: SAMA Report, Albilad Capital Report, KLSC Analysis

UAE: Market Share - Top 5 Companies

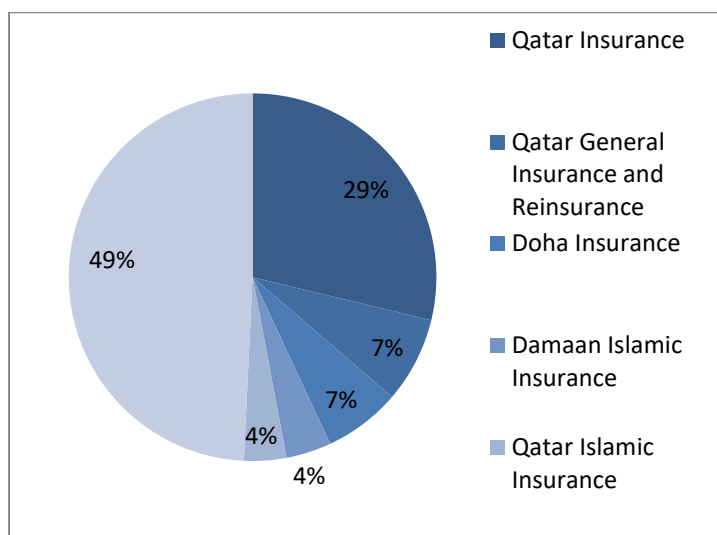
In the UAE, the top five companies' hold 56 % of the market share. The top three companies control 46 % of the Emirati market share as represented by **Oman Insurance** (19%), **Orient Insurance** (14%) and **Abu Dhabi National Insurance (Daman)** (13%).



Source: Insurance Authority Report UAE (2015), MENA Insurance Review News

Qatar: Market Share - Top 5 Companies

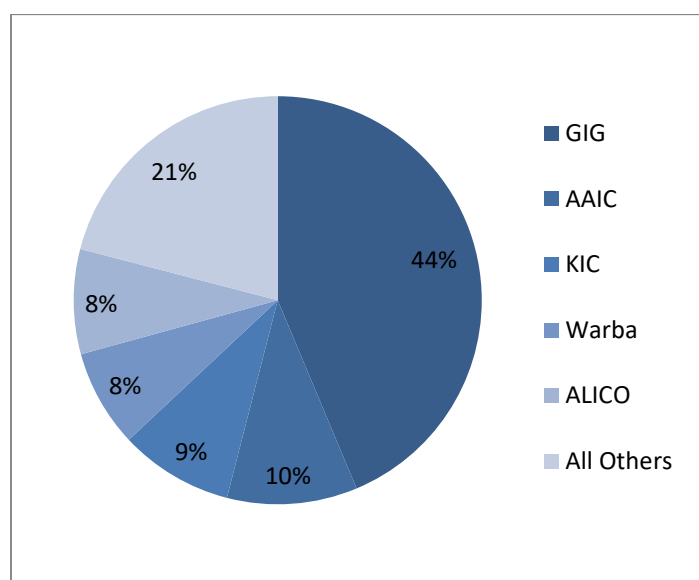
In Qatar the top five companies account for 51 % of the market share ^{[6][8]}. **Qatar Insurance** is the major market leader, accounting for 31% of the Qatari market.



Source: Qatar Insurance Annual report, MENA Insurance Review News

Kuwait: Market Share - Top 5 Companies

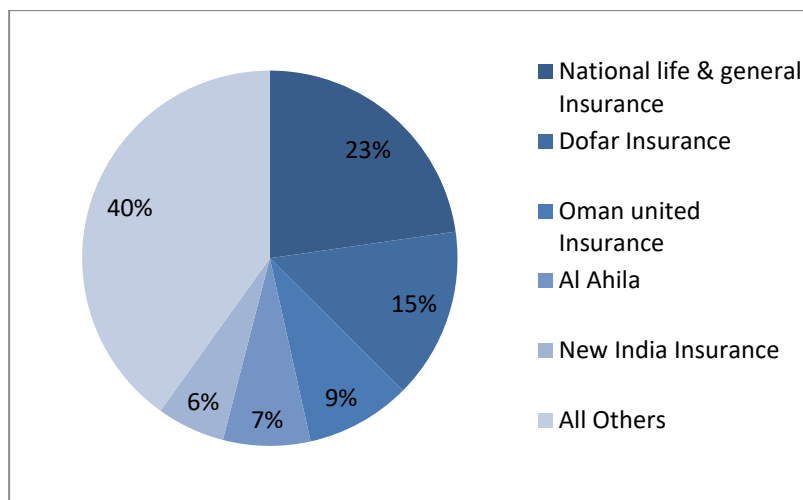
Like other GCC countries, the top five insurance companies hold the majority, 56%, of market share ^{[6][9]}. **Gulf Insurance Group (GIG)** is the market leader with 21% of the market, followed by **AAIC** with 10%.



Source: GIG Annual Report, MENA Insurance Review News

Oman: Market Share - Top 5 Companies

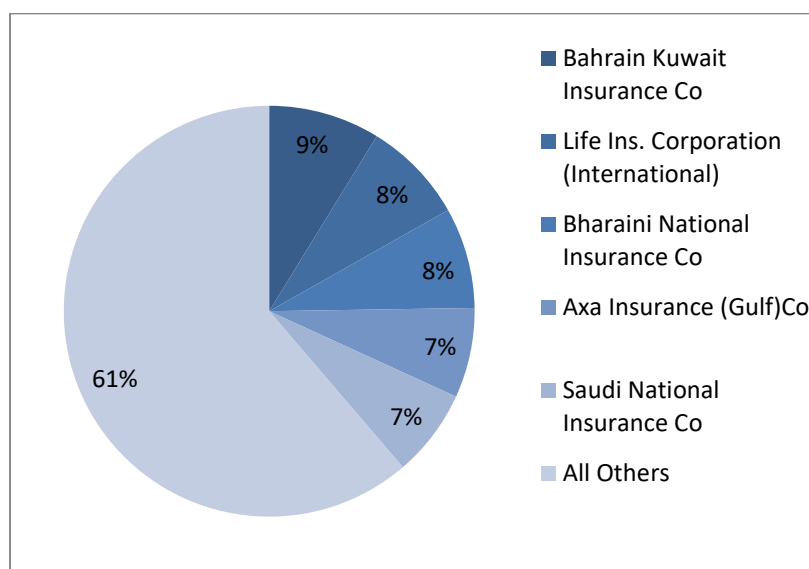
In Oman, the top five companies account for 60 % of the market share ^{[6] [10]}. **National Life and General Insurance** is the major market leaders, accounting for 23% of the Omani market.



Source: National Life & General Insurance Annual Report, MENA Insurance Review News

Bahrain: Market Share - Top 5 Companies

Compared with other GCC nations the top five companies in Bahrain have less of a total market share than with 39 %. The **Bahrain Kuwait Insurance Company** is the major market leader, accounting for 9% of the highly competitive Bahraini market.



Source: MENA Insurance Review News

Latest Insurance Laws Shaping the GCC

In light of the rising healthcare costs throughout the Middle East, many GCC countries and emirates now look to a cost effective healthcare system predominately based on mandatory and universal healthcare coverage. Such schemes have been implemented in Saudi Arabia, Abu Dhabi and Dubai.

The Kingdom of Saudi Arabia

In Saudi Arabia, the **Council of Cooperative Health Insurance (CCHI)** has issued a 'Unified Policy' which sets out rules relating to the issue of mandatory health insurance policies. The unified policy is intended to tighten the procedures that ensure that Saudi nationals working in the private sector receive the mandated healthcare services and to combat the use of 'dummy' health insurance policies. The aim is to ensure that all private sector employees are covered by private insurance and to reduce the burden on the public system. The CCHI has also introduced compulsory health insurance for visitors and tied it to *Enjaz* (the Saudi online visa application system) for effective implementation.

The United Arab Emirates

In the United Arab Emirates, the **Health Authority of Abu Dhabi (HAAD)** announced cuts to the coverage provided under the *Thiqa* (coverage for nationals) and the Abu Dhabi Basic Plan effective July 1st 2016. These changes signal an attempt to relieve pressure on the public purse and illustrate the ongoing challenge of implementing economically sustainable schemes^[11].

In Dubai, the final stage of the compulsory health insurance regime was implemented on June 30th 2016 and the **Dubai Health Authority (DHA)** has confirmed a "supportive" rather than punitive approach to enforcement, for the time being. The DHA issued a Circular on June 19th 2016 with new approval requirements for the marketing and advertising of health insurance products.

The State of Qatar

An announcement is still pending from the **Qatari Ministry of Public Health** on the new mandatory health insurance laws, which follow similar mandatory requirements as those in the neighboring UAE. These changes will provide potential opportunities for health insurance companies in the region.

The State of Kuwait

The **Kuwaiti Parliament's Health Committee** recently approved a draft bill requiring foreigners who visit the country to obtain health insurance prior to receiving an entry visa. The Kuwaiti government is also in the process of establishing a mandatory health insurance system for expatriates living in the country with a strong and comprehensive provider network. Simultaneously, the Government recently introduced health insurance coverage for all Kuwaitis starting with the retired 105,000 citizens.

Most recently, **Kuwaiti Minister of Health Dr. Jamal Al-Harbi** has approved the renewal of an assurance contract for six months with the private firm, **Public Services Company**, which issues medical insurance cards to expatriates in the State of Kuwait.

The contract, due to end by July 27th 2017, has been extended until January 27th 2018^[12].

The move has come as a surprise to some, because the minister had given the required six-month notice on January 19th 2017 about its decision not to renew the contract on expiry.

However, informed sources said that they had been expecting the ministry to renew the contract with the company for one more year, because of the bureaucracy involved in obtaining necessary approvals for a new service provider.

The contract was renewed with no changes made to the provisions, with the normal service fee remaining at KWD 1 (US\$3.30), and the fee for VIP express service at KWD 4. VIP services constitute 75% of the total transactions of the company, which has been the sole service provider for around 15 years.

In January, a row erupted with the Health Ministry when the company claimed that the ministry had demanded that it shut down a VIP office. The row in turn forced expatriate workers to face long queues at health insurance centers to obtain their medical insurance cards. The medical cover is required for expatriates to renew their residence visas in the country.

However, **Assistant Undersecretary for Financial Affairs at Ministry of Health Mohammed Al-Azmi** then had affirmed that the ministry did not order the suspension of any service nor the closure of any registration center

that served expatriates. Mr Al-Azmi also indicated that the ministry might sign a new contract with the Public Services Company or with another company following the expiry of the current contract until a new public-private insurance company starts operations.

The new insurer is to provide health cover for the three million expats in the country for them to shift from public health services to expats-only hospitals and clinics that are expected to be fully operational by 2020. Expatriates constitute 70% of Kuwait's 4.2 million population.

The Kingdom of Bahrain

A law will soon be implemented under which all individuals in the Kingdom, including expatriates, will be medically insured under the **National Health Insurance Scheme** ^[13].

The Bahraini government would pay the insurance premium to the **Social Health Insurance Fund** for the nationals but for expats the insurance premium will be borne by their sponsors through private insurance companies accredited by the government. Media reports state that the government of Bahrain is aiming to roll out a new universal health funding scheme by 2019.

The Sultanate of Oman

A mandatory health insurance plan is expected to be implemented over a number of phases and the **Omani Chamber of Commerce** (OCCI) hopes it can be rolled out by early 2018. The first phase will involve consultation with companies that have more than 100 employees to ensure cover for all staff. This phase is expected to start in early 2018, according to the OCCI. According to the plan, the second phase will include companies which have between 50 and 100 employees.

Conclusion

The first and most obvious benefit of mandatory universal health insurance coverage is the wellbeing of the beneficiaries themselves, potentially leading to a more productive workforce, including immediate benefits such as less sick days and higher worker morale.

The increasing rise in competitive pressures within the insurance industry has led to an increase in the customers' buying power and related changes in the customers' and intermediaries' preferences. These expenditure changes are driving insurers to invest in the transformation of core processes and the modernization of legacy systems, particularly policy administration and claims systems, and to develop and implement an effective digital strategy. Several major insurers have already initiated core system transformation projects to improve customer service and speed to market. Digital channels and customer analytics are also the priority investment areas for insurers to improve customer experience, distribution, and process automation.

GCC nations have for too long footed the bill for most of the healthcare needs of their citizens. However, recognizing that the 'welfare state' approach is expensive, and in the long term, unsustainable, Saudi Arabia, and both Abu Dhabi and Dubai in the UAE, have introduced mandatory universal health insurance.

Increasingly the (GCC) region's nations are looking at an employer-funded model, with employers are required to provide insurance for their workers and, in many cases, for their workers' dependents. Many nations have started by introducing a market model where employers pay for healthcare insurance for their expatriate employees, but they are shifting towards the total population being covered by such a system

Insurers now face the challenge of finding ways to operate profitably and to differentiate themselves from their competitors. Naturally, state-owned insurance companies remain dominant in the market. Given their history and existing relationships, they have a competitive advantage. As schemes are rolled out around the region, insurance companies will need to ensure that they are both efficient and effective.

Insurance Industry Key Corporate Stakeholder Profiles



Bupa Arabia for Cooperative Insurance is a Saudi-owned and operated publicly traded company with SR 800 million in paid up capital. Bupa Arabia provides health insurance in accordance with the requirements of the Council of Cooperative Health Insurance and the Saudi Arabian Monetary Agency (SAMA). Bupa Arabia is associated with the Bupa Group, a worldwide healthcare organization. Bupa Arabia is part of Bupa Group which provides healthcare services for over 70 years to more than 30 million members in 190 countries by 80 thousand employees.

Specialties: Health Insurance

Website: <http://www.bupa.com.sa>

Type: Public Company

Headquarters: Saud Al Faisal prince of St., Khalidiyah District , P.O. Box 23807 Jeddah, 21436

Reputation: Saudi Arabia

Company Size: 1001-5000 employees

Founded: 1997



Daman is a public joint-stock company that is 80% owned by the Abu Dhabi Government, with the remaining 20% owned by Munich Re. The company is backed by the reliable support of the Abu Dhabi Government and its strategic partner, Munich Re, one of the world's leading reinsurers, plays an important role as both reinsurer and a valuable source for knowledge transfer. Daman, a pioneer in health care insurance, drives innovation through a combination of state-of-the-art technology.

Specialties: Health Insurance

Website: <http://www.damanhealth.ae>

Type: Privately Held

Headquarters: Daman House, ADNEC area, Khaleej Al Arabi Street Abu Dhabi, 128888 United Arab Emirates

Company Size: 1001-5000 employees

Founded: 2006



As a TPA (Health Insurance) WAPMED offers services like Co-branded ID cards, Worldwide Direct Billing facility at Network Providers, Multi Currency Claims Management, Case Management, Medical Review, Pre Policy Check-ups, Underwriting assistance, Medical evacuation, Call Centre Assistance, Dedicated Client Servicing Executives for Corporate clients and Insurance Companies. WAPMED also offers MIS/Reports to help

monitoring of claims statistics which helps modification of policy at the time of renewal. WAPMED is already servicing numerous policyholders with local and international health insurance coverage.

Specialties: Worldwide Direct Billing facility at Network Providers, Multi Currency Claims Management, Case Management & Medical Review, Pre Policy Check-ups, Call Centre Assistance

Website: <http://www.wapmed.net>

Industry: Insurance

Type: Privately Held

Headquarters; Ahmed Al Jaber Street SharqKuwait City, Kuwait Kuwait

Company Size: 51-200 employees

Founded: 2006



NEXtCARE is the leading “Third Party Administrator” (TPA) for the insurance industry in the GCC & MENA region. With more than 4 Million members under management, the company administers an annual portfolio of over USD 1 Billion claims in value and 8.5 Million

claims in volume for more than 120 clients including insurance companies and self-funded schemes. Awarded “TPA of The Year” Award at the 3rd Middle East Insurance Industry Awards 2016.

Specialties: Third Party Administration Services, Claims Management, Health & Life Re-Insurance Facilities, CRM Management, Risk Management Solutions

Website: <http://www.nextcarehealth.com>

Industry: Insurance

Type: Public Company

Company Size: 1001-5000 employees

Founded: 1999



Being one of the first organizations to introduce the Third Party Administrator (TPA) model in the region, GlobeMed combines over 26 years of multifaceted know-how, technical expertise, and information technology to provide well-tested solutions in the management of healthcare benefits. GlobeMed operations cover 12 markets, covering Lebanon, KSA, UAE, Qatar, Bahrain, Kuwait, Jordan, Egypt, Syria, Nigeria, Palestine, and Iraq with further expansion plans to new markets in 2017.

Specialties: Healthcare Benefits Management, Actuarial Services, Pharmacy Benefits Management, Pharmacy Management Services, Medical Coding Education,

Website: <http://www.globemedgroup.com>

Industry: Hospital & Health Care

Type: Privately Held

Company Size: 51-200 employees

Founded: 1991

About Kuwait Life Sciences Company (KLSC):

KLSC focuses on healthcare innovative concepts and demanded services which have a clear and unmet need in the Middle East and North Africa (MENA) region. KLSC has been designed as an integrated healthcare company building unique projects and is considered one of the pioneer venture capitalist and private equity companies in the Middle East that invests globally and operates regionally seeking to advance healthcare services and systems within the region. KLSC supports both public and private sector stakeholders to access emerging technologies, establish unique projects and adapt best practices prevailing in today's healthcare field. KLSC operates in healthcare investment, life sciences training, medical technology and pharmaceutical distribution.

Kuwait Life Sciences (KLSC) was established in 2010, with a paid up capital of 15 million Kuwait Dinars (KD) which is equivalent to approximately \$53 million US Dollars. KLSC is fully owned by National Technology Enterprises Company. National Technology Enterprises Company (NTEC) was incorporated in November of 2002, by the Kuwait Council of Ministers as a fully owned company by the Kuwait Investment Authority (KIA), the sovereign wealth fund of the State of Kuwait. Capitalized at 100 million Kuwait Dinars (KD) which is equivalent to approximately \$350 million US Dollars, NTEC aims to play a vital role in servicing major stakeholders in Kuwait and the Middle East region with their technology requirements.

About the Author:

Dr. Razouki is the current Chief Business Development Officer of Kuwait Life Sciences Company (KLSC) where he is responsible for identifying new business opportunities for all KLSC subsidiary companies as well as sourcing investments opportunities for KLSC.

An Oral and Maxillofacial surgeon by training, Dr. Razouki has completed clinical rotations at the world's top hospitals including New York Presbyterian Hospital of Columbia University Medical Center, Harlem Hospital, Cleveland University Hospital of Case Western Reserve University and Mass General Hospital of Harvard University.

A graduate of Columbia Business School, Dr. Razouki is the first ever Arab national to receive an MBA with a focus on Healthcare Management and Finance. Dr. Razouki is also a member of the prestigious Hermes Society.

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