



Joint Colloquium of the IACA, PBSS and IAAHS Sections of the International Actuarial Association

Westin Copley Place Hotel, Boston, U.S.A. – 4-7 May 2008

Gulf Health Market



Bahrain



Kuwait



Oman



Qatar



Saudi
Arabia

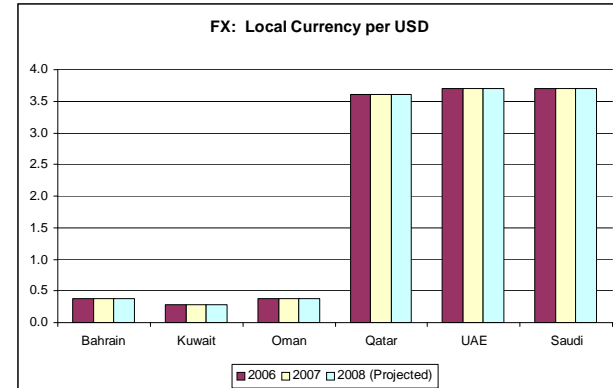
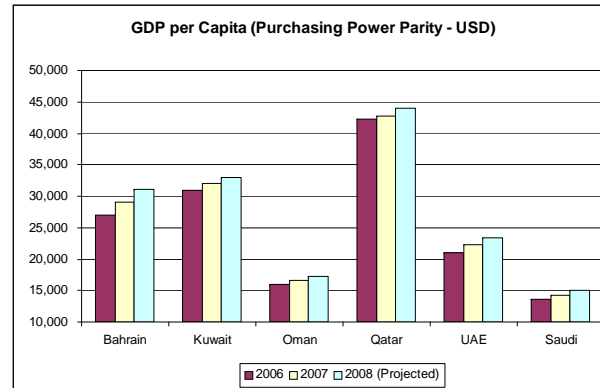
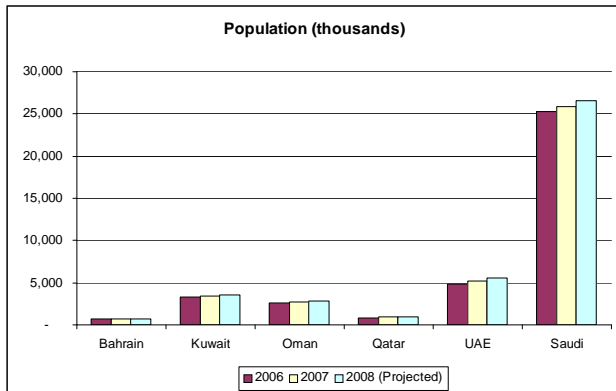


UAE

Alex Kogan FSA, FCIA, MAAA



Regional Overview

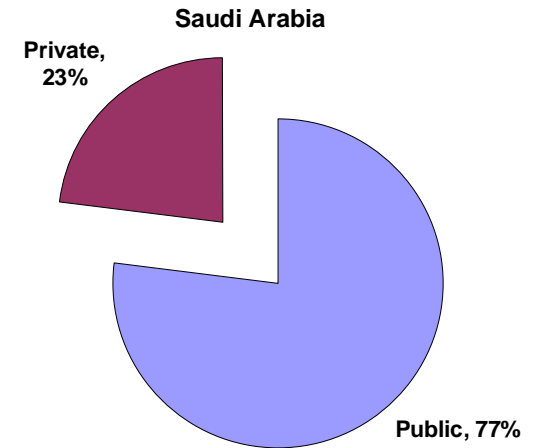
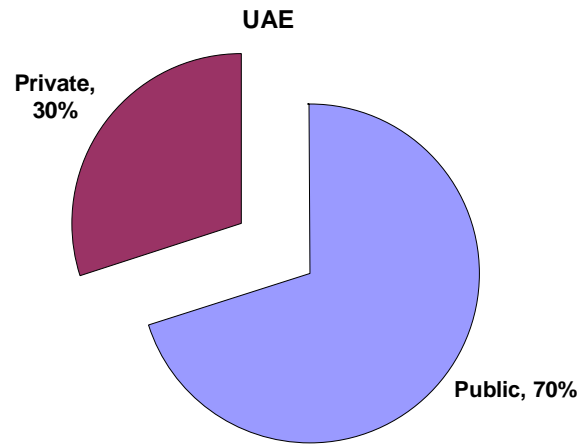
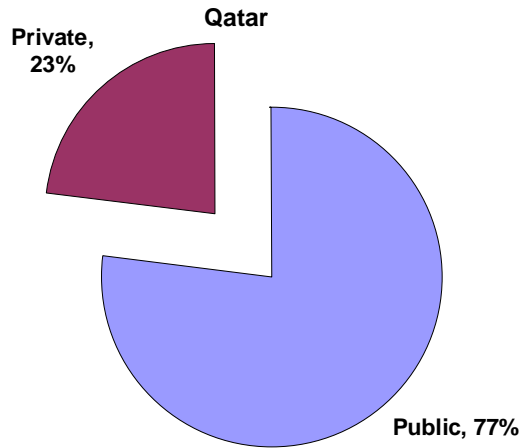
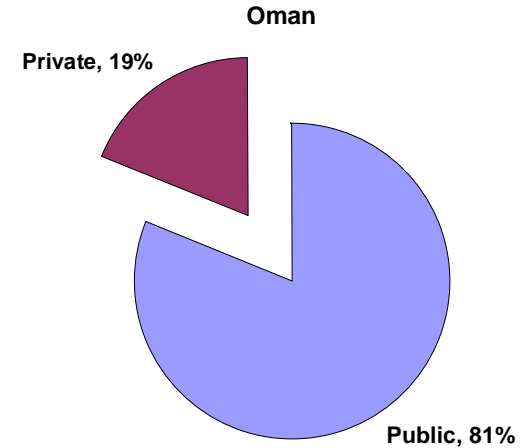
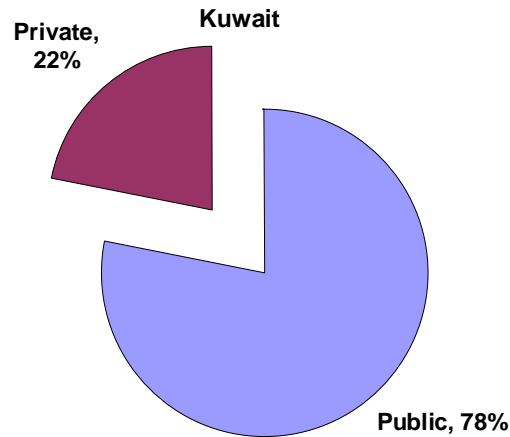
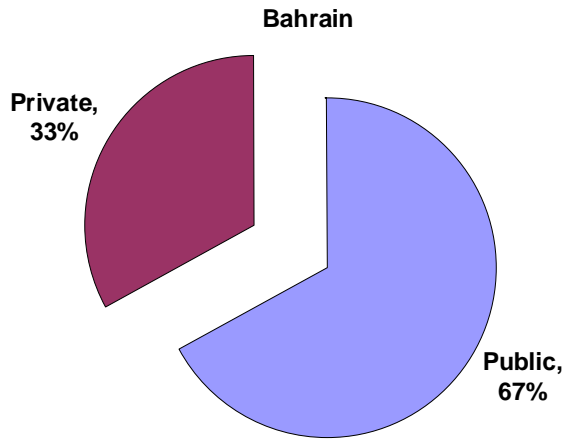


- 3% average annual population growth.
- Two-thirds of the region's total population resides in Saudi.
- Include both local nationals and expatriate workers.
- High unemployment a challenge.

- 4% average annual growth.
- Highest GDP per capita in Qatar \$43K; lowest in Saudi \$15K; average \$15K.
- Positive correlation to oil export.
- Wealth not equally distributed with widespread poverty in Oman and Saudi.

- Fixed exchange rate.
- May change soon due to:
 - Weakening dollar, and
 - Increasing pressure on inflation.

Healthcare Financing – Public vs. Private



Regulatory Development

Compulsory Medical Insurance

- Establishment of the Cooperative Council of Health Insurance (CCHI) in Saudi Arabia.
- Abu Dhabi compulsory health scheme.
- Dubai Health Insurance Committee's comprehensive health insurance proposal, following the Abu Dhabi model.

Takaful Insurance

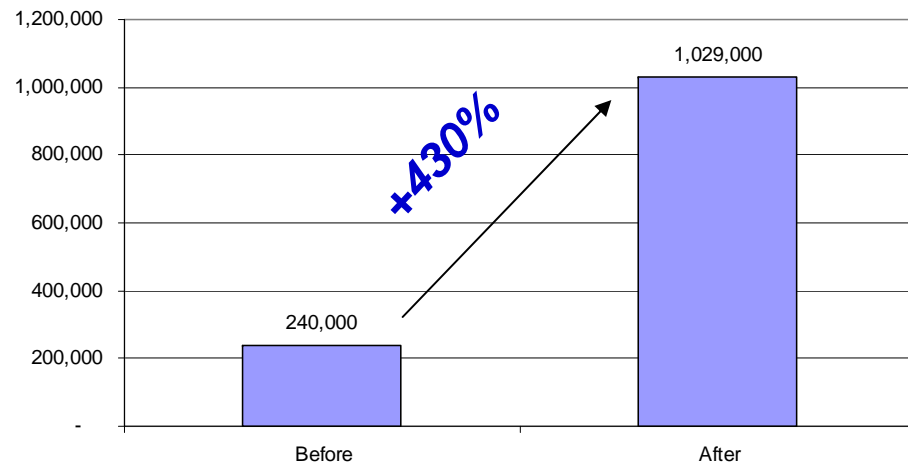
- Restrictions in investment - Interest income forbidden under Shariah.
- Total Takaful premiums US\$2 billion in 2005.
- Total premiums to reach US\$7 billion by 2015.
- Opportunities for traditional insurers as TPA and Reinsurer.

Market Expansion – UAE

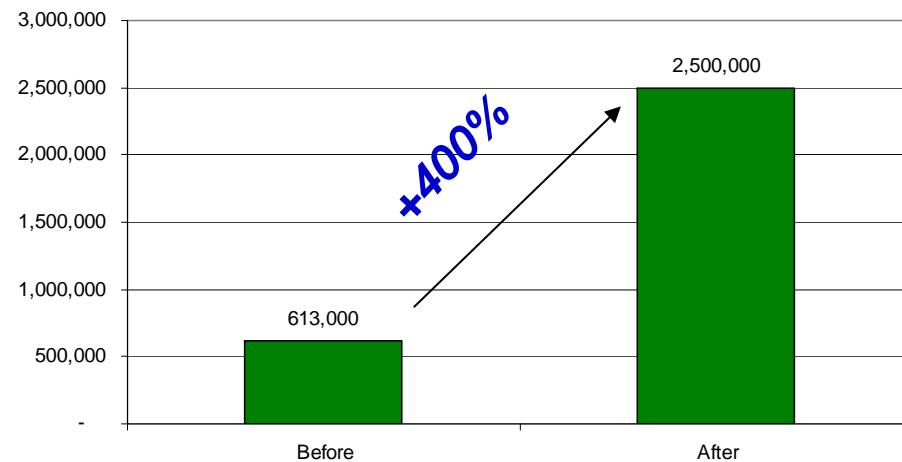
Before and After Compulsory Scheme

of Insured Lives

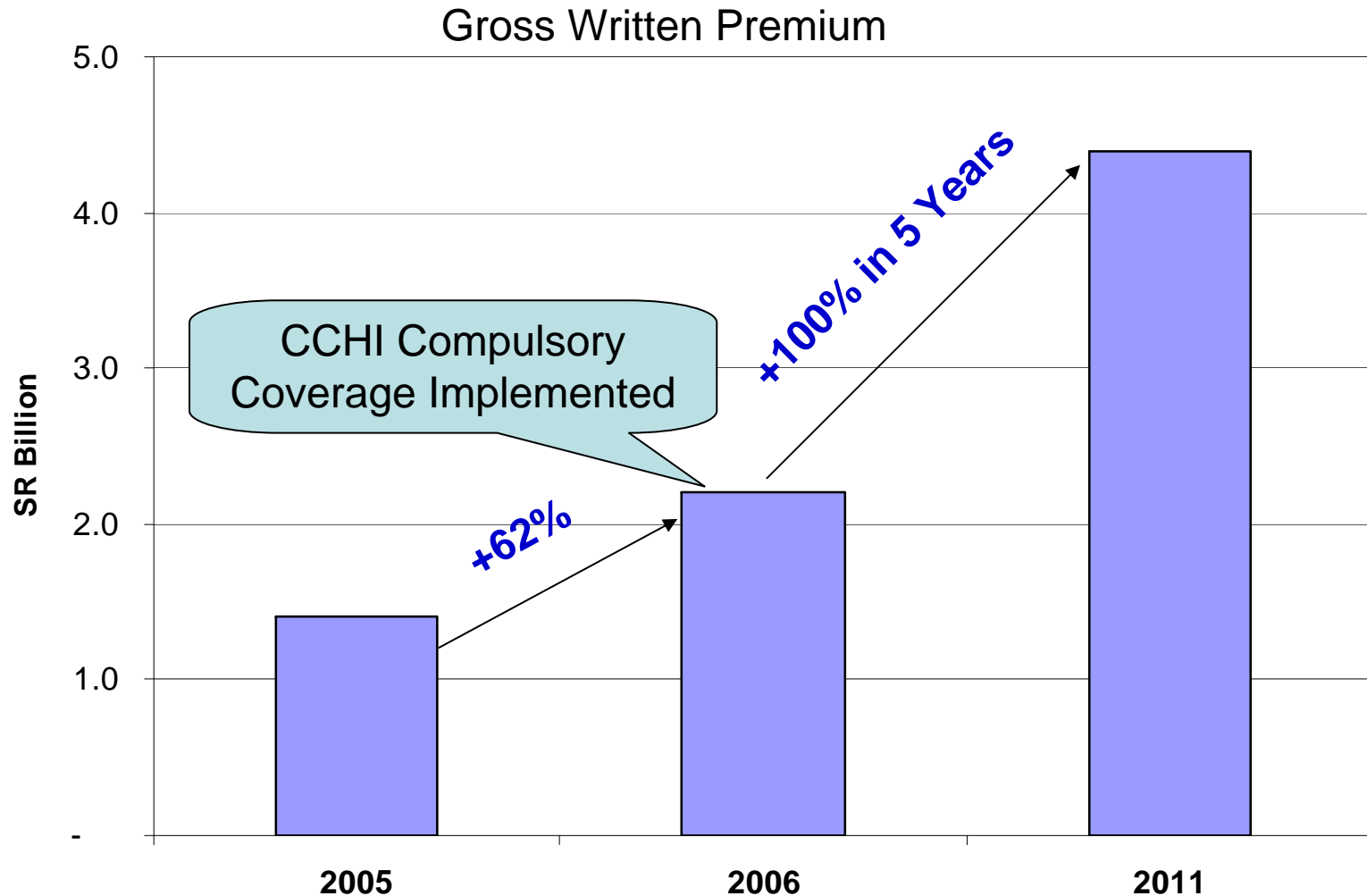
Abu Dhabi



Dubai (estimated)



Market Expansion – Saudi Arabia



Source: SAMA & NCCI

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Saudi Compulsory Medical Coverage

All employers in Saudi Arabia are required to provide medical insurance coverage to their expatriate employees and such insurance coverage is a pre-requisite for obtaining or renewing the residence permit in Saudi.

Licensing Requirements

- \$40K application fee
- \$6.6 million irrevocable bank guarantee
- Annual renewal fee

Standards

- Policy provisions – limitations and exclusions; covered benefits.
- Quality of services - Provider accreditation
- Claim payments

Example: Saudi Compulsory Medical Coverage

Continued

Minimum Benefit Design

- ✓ Yearly Maximum benefit per individual = Sr.250,000
- ✓ Request for coverage cannot be declined.
- ✓ Pre-existing conditions to be covered in full.
- ✓ Deductible = 20% of outpatient treatment with a minimum of Sr.20 and maximum of Sr.100.
- ✓ Dental & maternity coverage.
- ✓ Dependent coverage.

Pricing/Underwriting Challenges

- Limited data/claims experience on expatriate workers.
- Adverse-selection risks due to coverage of pre-existing conditions.
- High risk industries.

Market Trends

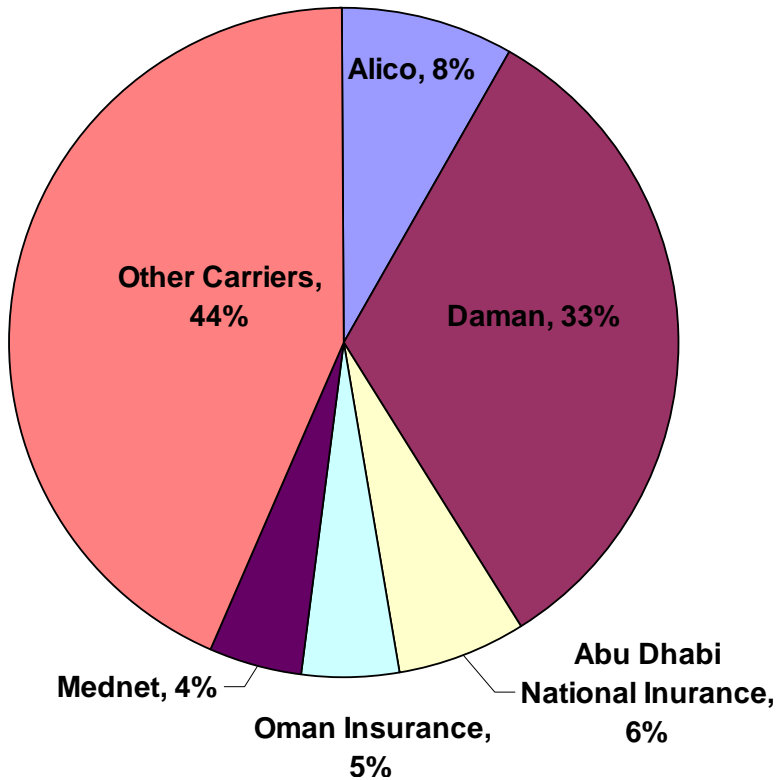
Market Expansion

- Region's movement to compulsory health scheme
- Opportunities for smaller insurers to grow
- New comers → price sensitivity
- New distribution channels e.g., multi-national brokers; fronting/re-insurance

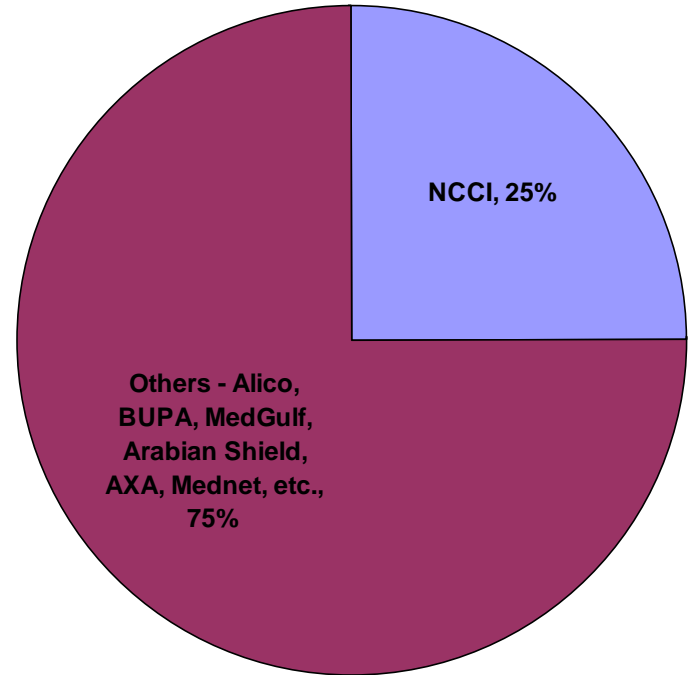
Provider Network Management/Development

- Important to contain costs and increase competitiveness
- Segment hospitals by costs, catering to different classes of employees
- Use of gatekeeper model and capitation arrangement
- Negotiations with major hospitals challenging

Market Share



UAE



Saudi Arabia

Product / Underwriting Trends & Issues

- Products designed to meet minimum requirements under compulsory health schemes
- Member cost sharing – deductible; copay; coinsurance.
- Benefit differences between in-network vs. out-of-network
- Pre-existing conditions coverage
- Alternative funding mechanisms – ASO, Deferred billing/advance dividends
- High medical trend – Provider price increases

Medical Trend

	2006	2007	2008	Expectation over Next 5 Yrs
Saudi Arabia	13.3%	13.7%	15.7%	Higher
UAE	15.0%	10.0%	11.0%	Higher

Source: 2008 Watson Wyatt Survey