INSURANCE – LIFE AND HEALTH

Healthcare expenditure in GCC predicted to see growth

Healthcare expenditure in the GCC is expected to reach $135.5bn in 2027, with UAE and Saudi Arabia continuing to dominate the region's markets. *Middle East Insurance Review* spoke to Alpen Capital's Mr Krishna Dhanak to find out more about penetration rates and consumer demands in the GCC.

By Reva Ganesan

Healthcare expenditure in the GCC is expected to grow on the back of the region's expanding population base, high incidence of non-communicable diseases, rising costs of treatment, rising medical inflation and increased penetration of health insurance.

It is projected to reach $135.5bn in 2027, growing at a CAGR of 5.4% per year from 2022, with the annual average growth rates of healthcare spending in the GCC countries seeing growth at a maximum of 7.4% per year during the forecast period.

"The growth varies widely among the GCC nations largely owing to country-specific population projections, economic conditions, the cost of healthcare and prevalence of underlying diseases," said Alpen Capital managing director Krishna Dhanak.

Market rankings are expected to remain unchanged with Saudi Arabia and the UAE dominating the region's healthcare expenditure with a combined share of 80% in 2027.

The markets of Saudi Arabia, the UAE, Kuwait and Qatar represent the biggest insurance markets in the GCC region.

Low penetration rates in the region

The fragmented nature of the market has led to low insurance penetration rates in the region, with the average in the GCC standing at approximately 1.9% in 2020, considerably below the emerging market average of 3.4% and global average of 7.4%, according to market reports published by Alpen Capital.

Insurance penetration in individual GCC markets differs significantly with the UAE averaging 3.2%, followed by Bahrain at 2.1%, Oman at 1.9%, Saudi Arabia at 1.5% and Kuwait at 1.1%. Qatar has the lowest rate at about 1%.

Profitability challenges in Oman

Health insurers in Oman also face fierce competition, increasing healthcare expenditure and rising medical inflation.

"Insurers are also facing challenges due to the fragmented nature of the market and this has led to intense pricing competition," he said.

Mr Dhanak said, "Such mandates (mandatory health insurance) by the regional government coupled with the country's long-term plans to diversify the economy and attract more business is likely to bode well for the insurance industry as demand and medical inflation rise.

"Profitability of the sector is also under immense pressure with regional insurers facing stiff competition augmented by the lack of diversified product offerings," he said.

This has led market participants to offer higher commissions and discounts on policies to secure business, thus increasing operational costs.

Better health coverage and affordable premium

When asked about some consumer

demands in the GCC, Mr Dhanak said consumers are looking for innovative products that provide better coverage at an affordable premium.

"Attractive group packages for families and corporates are in demand since health insurance has become mandatory.

"Consumers are also looking for enhanced quality of service in terms of seeking approvals and quick turnaround times on reimbursements," he said.

High hopes

Mr Dhanak said he has high hopes for the health insurance market in the GCC region, adding that the positive outlook will be aided by increased economic activity, rollout of mandatory medical coverage plans and the economic diversification plans of the GCC governments.

"We forecast the size of the insurance market in two segments: life and non-life insurance. Health insurance constitutes a significant portion of the non-life insurance market which is estimated to grow at a CAGR of 3.1% from $22.7bn in 2021 to $26.5bn in 2026," he said.