

Introduction

Health and medical insurance is concerned with providing financial assistance upon the incurrance of expenses associated with medical treatment. Under this, a policy holder of their sponsor makes payments to the insurer, called premiums, which is mostly on a monthly basis. Should the policy holder be admitted in hospital or require to make related payments, they make a claim against the policy, in which case the health plan provider services the amount due. In the modern world, the importance of health and medical insurance has been underscored by the increase of lifestyle diseases such as the variations of cancer. Health insurance plans therefore provide a cushion in the event that one falls ill and might otherwise have financial difficulties seeking immediate treatment. While health care in general is funded through fiscal policy measures, health and medical insurance is funded on an individual level. This report will cover the health and medical insurance sector within the health industry. It will begin with an overview of the sector and its performance globally, before narrowing in on the Kenyan situation. The report will include the challenges that the sector faces, opportunities that can be tapped by investors and other professionals, regulations in place and a conclusion to sum up the key points.

Sector Overview

Health insurance has taken root, particularly in the developed world, and it has spread to the developing world. As has been mentioned, the goal of health and medical insurance is to allow the policy holder cater for medical expenses as and when they arise, so as to allow them to obtain quality health care. While health insurance companies offer their services as independent entities, governments in some countries have taken the initiative and have become more involved in

health coverage and insurance provision. This means that health insurance policies taken up can either be private or public.

In Australia, private health insurance holders receive a rebate as an incentive to encourage policy uptake. Applicable in various age categorizations, the Australian Government Private Health Insurance Rebate ranges from 27.82% to 37.09%, increasing with the progression of the age groups. As a result, persons taking up policies are not only covered financially in the event that they need to make a claim, they also pay less on virtue of policy holding. The rebate is claimable via reduced premiums, lowering what the insurer will be paid by the policy holder or through refundable tax offsets when one lodges their tax returns.

In the United States, the equivalent of the Australian system is ObamaCare or the Patient Protection and Affordable Care Act, a legislation passed under the administration of President Barack Obama. The goal of the initiative is to set in place law reforms which allow access to affordable health insurance and medical services by the American people. ObamaCare has sought to accomplish its goal through the additional control of expenditure as well as setting in place a series of system structures to link the medical fraternity and make the delivery of medical and health services easier, faster and cheaper. The federal government is involved in a number of national insurance cover initiatives such as Medicare and Medicaid, which serve to allow low income Americans gain access to medical services when such needs arise.

A survey by the World Health Organization revealed that France ranked first globally with the best health system. In France, all citizens are obligated by law to take up a health insurance policy, which perhaps explains the success of health insurance and high level of overall

healthcare provision. The state provides a policy which qualifying persons can take up, but persons who do not qualify for it are obligated to take up private insurance. As such, French health insurance providers are almost guaranteed of demand.

Total revenues from the health and life insurance sector in the United States have been on the increase, rising from \$776.6 billion in 2009 to \$877.9 billion in 2014. On the European front, health insurance premiums in 2014 amounted to €119.3 billion or \$129.6 billion. The upwards trend of the sector on the international front presents a valid case for its implementation and adoption in Kenya.

Health Insurance in Kenya

Health insurance in Kenya has for the most part struggled to pick up. Although the market exists and there are several players offering policy plans, the sector is still underdeveloped as compared to others in the country. In terms of global positioning, Kenya's health system ranked 140th by the World Health Organization, trailing behind several African countries. These are Tunisia (52nd), Senegal (59th), Egypt (63rd), Algeria (81st), Libya (87th), Cape Verde (113th), Sao Tome and Principe (133rd), Sudan (134th), Ghana (135th), Ivory Coast (137th) and Gabon (139th). Despite this, the local scene is vibrant, with a variety of insurance providers who also avail health insurance plans.

Similar to France, the Government of Kenya has also made efforts towards making insurance cover a requirement. The National Hospital Insurance Fund (NHIF) is a parastatal established in 1966 and currently under the NHIF Act No.9 of 1998. However, membership is open to all persons above the age of 18 and with an income of above KES 1,000 on a voluntary basis

outside employment, but a mandatory deduction for persons in employment. It falls under the Ministry of Health and provides insurance cover to its members and their declared dependents. Deductions for premium purposes are deducted from employees' salaries.

As at December 2013, health insurance lagged behind other insurance policies and products based on the percentage of total premiums collected. Motor commercial accounting claimed the lion's share of premiums at 25.7% of the total premiums, with motor private following at 19.1%. under life insurance, deposit administration and pension accounted for 34.6% of the total while 34% was claimed by ordinary life insurance.

Competitive Environment

The Kenyan insurance market is dominated by 10 major policy providers. However, not all of them include health and medical insurance in their product portfolio. The ten include UAP Holdings, ICEA Lion Group, CIC Insurance Group Limited, APA Insurance Company, AAR Insurance, AIG, Britam Kenya, GA Insurance Limited, Jubilee Insurance Company of Kenya Limited and CFC Heritage Insurance Company Limited.

The Kenyan health insurance sector has several players involved in it, availing a variety of policies and packages. Some of the notable names in the Kenyan insurance sector and a brief highlight of their products will be analyzed in the following section.

First Assurance is a company owned majorly by Barclays Africa provides insurance that covers medical and surgical expenses to policy holders in the country. Its product line includes an individual or family cover and a group medical cover for 10 or more persons.

The American insurance company Blue Shield Insurance Company Limited has also set up shop in Kenya. It offers general, life and agriculture insurance packages. It also has accident and health insurance, personal, group and liability insurance products.

APA Insurance Company operates both in Kenya and Uganda. Under its health insurance plan, the company has an individual plan as well as Afya Nafuu and Jamii Plus plans covering family units. It also has a plan tailor made for policy holders who have been diagnosed with cervical or breast cancer.

AAR Insurance began operations in 1984. Under its product portfolio the company has products for businesses and individuals with regard to medical insurance. Both policies are differentiated to cover different consumers according to their income levels and financial capabilities. These include Gold, Silver and Bronze Card Memberships.

Resolution Insurance began operations in 2002 as Resolution Health, changing its name in 2013. It provides health insurance policies for individual and corporate with a highly differentiated product portfolio, each with a variety of annual limits.

International firms have also set up operations in Kenya. American Insurance Group or AIG (formerly Chartis) provides health insurance plans which stretch to cover not only the policy holder but also third parties who may be injured, thus incurring treatment expenses or who may die within the holder's premises.

Insurance Company of East Africa or ICEA (currently operating as ICEA Lion Group) offers health and medical insurance under its Family Personal Accident package. The benefits accruing

under its hospitalization plan are further differentiated into categories; White, Blue, Orange, Yellow, Bronze Silver and Gold.

British American Insurance Company Limited, known better as Britam (or Britam Kenya) is headquartered in Nairobi, with operations in Rwanda, Malawi, South Sudan, Tanzania, Uganda and Mozambique. It offers health insurance at the individual level, covering chronic and psychiatric conditions as well as maternity costs under its Equimed Health Insurance plan.

GA Insurance Limited operates in Kenya and Tanzania. Its health insurance plan has 3 products namely Budget 'Pocket' Friendly, SME's Economy Plan and SME Premier Plan. Under these, maternity, optical, dental, in and out patient segments are covered. There are also provisions for other conditions in need of attention, but with limits to cap them, including but not limited to counseling, cataract operations, physiotherapy, radiotherapy and chemotherapy.

Sector Regulation

Insurance in Kenya is regulated, supervised and developed by the Insurance Regulatory Authority (IRA), established under the Insurance Act (Amendment) 2006 Cap 487 of the Laws of Kenya. Not only does it set rules and regulations appertaining to the sector, it also receives and acts on customer complaints in a bid to protect them. It ensures that market players comply with legal requirements of engaging in the insurance business in Kenya and seeks to maintain consumer confidence in the Kenyan market.

Challenges

Insufficient Knowledge

Health insurance uptake in Kenya has been slowed down by the insufficiency of knowledge about the workings of insurance. This is especially so in rural areas, where policies are almost never applied for. Most people with insurance policies are in urban areas, where they have access to information and are well-learned on the benefits and workings on insurance covers. Insurance providers have set up their operations in the 3 major cities and focused their attention on major towns, leaving smaller towns in the dark and with limited access to knowledge. This in turn has dented their ability to sell health insurance plans owing to skepticism among potential clients.

Technological Constraints

In the developed world, healthcare delivery, including health insurance, is automated to a large degree. Evidence of this is the ObamaCare legislation which has served to link identified health care service providers and insurance firms. In Kenya, technological constraints have been occasioned by the poor infrastructure in existence and slow development and set up of additional infrastructure. Thus, persons willing to take up policies are forced to travel to where the insurers have set up so as to gain comprehensive knowledge to allow them make informed decisions. Lack of access to client information via online servers or virtual networks has also impeded insurance companies' efforts of reaching a wider audience.

Poor Marketing

Where health insurance providers have had the opportunity to reach the market, their marketing efforts have been wanting. As such, the targeted audience is either under informed and thus uninterested or not adequately reached at all. Advertising through local media is also limited, such that the general public is oblivious of the existence of health insurance until such a time when holding policies becomes a necessity, such as in applying for employment positions. Related to marketing is the insufficiency of available subsidies to make insurance packages more attractive to the lay person as is the case in Australia. It is also worth noting that health insurance has received less attention and emphasis as compared to other insurance policies when markets are targeted, which has contributed to its slowed uptake.

Opportunities

Health Insurance Subsidy Efforts

Under Kenya's Vision 2030 development roadmap, the Government of Kenya has set up a health insurance subsidy program. Primarily targeting vulnerable groups, the Hospital Insurance Subsidy Program (HISP) is a flagship project which seeks to avail universal, quality and affordable health care to Kenyans throughout the country. The initiative aims to reach 9 million people by 2020.

Sector Automation

There exists a need to automate the health and medical sector, which would allow the seamless exchange of information among policy providers and increase health insurance penetration. As

is, there is a challenge as far as access to information and communication with policy providers is concerned, outside the traditional email and telephone framework. Through the establishment of additional communication channels and linkage establishment, potential investors will be able to strengthen networking in the sector.

Awareness Campaigns

In a majority of cases, most people never know they need medical insurance until they need it. This is attributable to lack of awareness on the importance of insurance and the vagueness of available information, which makes the market skeptical and unwilling to take up policies. With increased awareness drives, current and prospective players in the sector can make significant headway and not only raise their revenue but also secure the health of people at large.

Conclusion

The medical insurance sector in Kenya is fairly developed, but it still faces a significant challenge as far as global standards and positioning are concerned. Regulation of the insurance industry in Kenya is simplified, with the IRA being the identified statutory authority mandated to carry out regulatory and supervisory activities. As such, the barriers to market entry and one of the industry risks are mitigated. There is a variety of insurance companies acting as the insurance policy providers, with their policies differentiated to meet as large a client base's needs as possible. However, the country is yet to fully embrace insurance in its entirety. The limited knowledge made public as well as its often complex and confusing nature has led to many would-be policy holders opting not to take up medical insurance. The limited networking available among insurance companies has also stifled the sector's growth and development. It

therefore falls on the government as well as investors to improve the situation through comprehensive information, simplified health insurance policies and expansive coverage under policies provided.

