Cracking 0.1 per cent

DOMINIC UYS

Nigeria has managed to drastically increase the market penetration of most financial services, including insurance, yet the medical aid industry is still lagging far behind.

In comparison to regional hub counterpart Kenya, which has over recent years gained a reputation for the level of its private healthcare, Nigeria still has a long way to go. Sasha Gainullin, CEO of specialist insurer, Tangiers Group, points out that even though there are many experienced and internationally trained medical professionals practicing medicine in the country, medical care is still more adequate through foreign hospitals.

As a company that insures international travellers and professionals in high-risk areas, which include many areas in Nigeria, this means that it is often more sensible to evacuate policyholders to either Kenya or South Africa for care in the event of a claim.

"Our biggest problem is that many vital medical procedures are still not available in the country, which means that flying our clients out of Nigeria is pretty much our only option," he says.

David Tompkins, president of expatriate medical insurance broker TFG Global Insurance Solutions in Canada, tells *RISKAFRICA* that there are at least a few hospitals that international insurers have direct billing relationships with.

"We do individual expatriate insurance in life and disability insurance, with our main focus being international health insurance. We also do some special risk coverage for people in difficult parts of the world," Tomkins explains.

"The list of hospitals that we can work with has certainly been expanding over the last few years. If the claim is really serious, the insurer would probably still want to evacuate, most likely to South Africa. This doesn't only apply to medical emergencies. If the client has a chronic illness, the insurers are often more comfortable arranging care for the client outside of Nigeria," he says.

"Hospitals like Reddington are reportedly quite good, and there is an ISOS centre operating in the country that also has a very good reputation. Both of these are also quite expensive, and clients need to pay a high membership fee in addition to the medical insurance," he continues.

"On an expat policy you definitely want a plan that is not going to exclude terrorism – that really is key. You also want a really good evacuation carrier, and one needs to make sure that the insurer has good global networks in place so that it has the ability to do direct medical reimbursement. Because expats hate to pay out of pocket," Tomkins adds.

Still, the opportunities here for expat insurers has decreased according to Tomkins, and he reports that the expat numbers have shown a definite decline in this country specifically. "It probably is because of the current drop in oil price," he surmised.

Local opportunity beckons

The steady but relatively small expat market in Nigeria is still not big enough to draw the global players, and the low penetration for healthcare cover in the local market still shows little change.

A recent report by Fitch group reveals that health and life insurance account for roughly 34 per cent of total written insurance premiums, which makes for a penetration rate of around 0.1 per cent.

"Factors such as low income levels, customers' limited awareness of the benefits of life solutions, and a lack of transparency of the operating practices of some operators have been underlying the segment's sluggish development. Moreover, life insurance providers have had to overcome the lack of trust among the Nigerian consumers, which has hitherto been preventing them from entering into long-term insurance contracts, as well as a low average life expectancy among the Nigerian population – hampering potential demand for traditional life products, such as retirement and life savings products. First and foremost, while the Nigerian 65+ population is insufficiently large to provide sustainable demand for life insurance products, long-term premium growth will be increasingly carried by the country's growing professional and middle classes," the report states.

However, Fitch expects this number to climb significantly over the next few years, predicting an annual growth rate of around 13 per cent. One company that shares this outlook is Swiss Re, which has actively been engaging in building relationships with local insurers over the past year, with the intention of helping operators in the country establish their medical lines.

Product specialist at Swiss Re, Willem Claasen, tells *RISKAFRICA* that the offering in current local market is quite limited. "The most prevalent type of cover in this market, by far, is the health management organisation (HMO) model, which typically cover more mundane procedures available inside Nigeria, such as maternity, but exclude the major surgeries that are simply not done in Nigeria."

"The two components (medical service delivery and insurance) also have an effect on one another. It is a function of the insurance market in a country like this, so if you don't have an insurance market established already, then you also don't have the medical facilities to support the cover," Klaasens says.

"The potential for growth is, however, still there. If you look at the low penetration rate of medical cover and measure that against the fact that 65 per cent of all medical expenditure in the country is out of pocket, there is definitely a demand that exists," he continues.

"We do see the gap between those two numbers closing in the future, with cover extending more into insuring major surgeries."

Risk in the business

"If you are talking about Nigeria, there are some principal risks that insurers are challenged with at this stage. Since the HMO market is the predominant one in the country, and the fact that the opportunity lies in the major surgeries cover, you again have insurers moving into a market that they are not that experienced in. They will have to take care in structuring their offerings properly and trying to understand a market that there isn't necessarily all that much statistical data about," Claasen says.

Local insurers will need to look at similar international markets, according to Frank O'Neill, Swiss Re's chief executive officer for Middle East and Africa, which is what Swiss Re is presently bringing to the table for the companies that it has been approaching. "The reinsurer is particularly good at bringing in that experience and expertise in products that are in demand in the country, but with which the insurers have little experience and information in their own market," he continues.

Fraud is another massive challenge in Nigeria, according to Claasen. "Fraud is always a challenge in pretty much any market. Nigeria is certainly no different in this respect, and we have seen companies especially looking into improved biometric systems. I, in fact, saw a very innovative example recently where a company utilised telephony to introduce a mobile means of verifying patient identities and details – which is going a long way in decreasing the expenses associated with running an effective biometrics system," he says. "Finally, what most insurers are lacking is the required skill set to underwrite this new market."

"Our strategy for entering this market is quite simple at this stage," says O'Neill. "We've been talking to various of the major players because we believe we can help to expand their existing networks to offer better coverage and to different sectors of the market. So on the one hand, we are pitching security to the players because we are taking on a portion of that market risk, allowing them to experiment to some extent in order to innovate. The other opportunity that we want to help develop is the microinsurance market."

"We believe that insurers really have to utilise different kinds of models to really get through to the lower income market, which is also quite big, and where there also exists a demand.

We are particularly excited about that at the moment because it gives people access to care that they have no other means to pay for – either out of pocket or through some pre-existing funding. So we are interacting with quite a few players that are experimenting with their own models in this market at the moment. Again, we believe that these players will benefit from a large reinsurer taking on bigger portions of that risk and providing expertise," O'Neill continues.

Even though the country has a large Muslim population, and given the fact that Swiss Re also has a takaful division to deal with demand in that aspect, O'Neill notes that the medical insurance market does not have much of an issue in this regard.

"Medical insurance is a product that is in demand and is sold pretty much everywhere in the world, and we certainly haven't seen any real problems in terms of market acceptance anywhere," O'Neill concludes.

IF YOU DON'T HAVE AN INSURANCE MARKET ESTABLISHED ALREADY, THEN YOU ALSO DON'T HAVE THE MEDICAL FACILITIES TO SUPPORT THE COVER.