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Health Insurance: Perspectives and Developments

Historically, the Spanish market for health insurance maintains a growth rate close to 10%, a figure that places it above other sectors. It is an unusual market, with over 90 companies dedicated to health insurance, where further concentration of business seems likely in the form of acquisitions, mergers or alliances fostered by the desire to grow of large companies, domestic or foreign, and the need to survival of small companies, who will face additional difficulties to the upcoming implementation of the capital requirements contained in Solvency II.

The most plausible option, according to the statements of those responsible for Spanish companies investing in the organic growth is the entry of new players onto the Spanish market through acquisitions or shares in established companies. A growing market like that of Spain can be attractive to big foreign investors who choose to follow in the wake of those already present such as BUPA, Médéric or ERGO.

Sector Forecast

The growth of the sector in recent years has occurred in a socio-economic environment favorable to the consumer, where the economic boom coupled with the problems of waiting lists for public health fostered private health insurance contracts.

Given the complementary nature of health insurance where the insured is paying for a service already available to improve their conditions of service, the sector is particularly sensitive to changes in the family budget, and is one of the first to be affected in a recession. In such case, we can expect loss of clients and added difficulties generating new business.

The companies that have opted for group business – specifically those that have employees as clients – will be more protected against a hypothetical recession. Policies for employees, where it is a substitute for the public health care and therefore keeping clients depends more on the quality of service, should lead the effort to control healthcare spending as a tool for profitability of these groups.

As an additional avenue of growth, it is likely that big insurance companies will continue to diversify their activities in related sectors, usually in the medical field. This strategy allows the use of brand value to create synergies and growth in other sectors.

In this sense, we can expect new cases of insurer involvement in the privatization of public hospital management and more than likely an increase in the presence of insurers in the management of residential centers, due to the fact that the insurance company will expect to have to cover the risks associated with assisted living.

Disability Insurance

9% of the Spanish population has some type of disability or limitation that makes them dependent on a third party to perform basic activities of daily living. A gradual increase of this percentage is likely, as a result of the demographic changes our society is undergoing: the increase in population over 65 years of age, a doubling in only twenty years of the population over 80 years of age, survival rates of chronic diseases and congenital abnormalities due to continuous medical developments.

Traditionally, care of dependent persons is provided by families, to a greater extent by the female members of the family. Specialist care for dependent persons, traditionally regarded as a luxury available to few, has become one of the pillars of the welfare state.

Society is beginning to realize what this means, and it is hoped that legally-granted aid will lead to an increase in demand for services for the disabled and stimulate the growth of this sector. In a family dynamic where it is increasingly necessary for both members of a couple to have an income, disabled family members are likely to be cared for in specialized daycare or assisted-living centers. This is creating an emerging market where there will be room to implement new forms of disabled care based on savings and risk coverage.

Health insurers have an interesting challenge in the short term: find a valid approach to creating and marketing disability insurance based on providing services to the disabled person, compared to less-expensive insurance.

After an initial collective euphoria brought on by high expectations regarding the final content of the Act, the sector was disappointed to find that the products that they had long been preparing to launch onto the market have so far not appeared. The sector is now waiting to identify the niche in the private sector to supplement public disability benefits.

Companies that seek to be better prepared will branch out into managing assisted-living centers and will offer supplementary coverage to complement disabled care services and have professionals and specialized centers providing this kind of attention.

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