

# International private medical insurance

## Andy Couchman

International private medical insurance, or iPMI, has been a growing success story in recent years. Indeed UK based providers have led the way in developing bespoke insurance solutions for employers and individuals pretty much regardless of where they are based in the world.

In reviewing the market, I started by getting the thoughts of Ron Buchan. Ron led Allianz Worldwide Care for many years, taking it to become one of the biggest players in the sector, from its Dublin base. Ron retired from AWC at the end of March 2015 but remains its non-executive chairman. What did he see as the main issues going forward?

*"I think that the most immediate preoccupation of the market should be regulation. Insurance regulators are becoming increasingly concerned around the world to eliminate non-admitted insurance sales and this affects iPMI, given the extent of non-admitted business which has formerly been commonplace.*

*As part of the regulatory trend, many countries have regulations governing the types of health insurance which can be held by citizens and residents. The US; Germany; Ireland; Switzerland and Australia are just some examples.*

*Both of the above mean that iPMI carriers will need the scale and market knowledge to provide solutions which are compliant from a legal and regulatory perspective. This capability will increasingly become a market differentiator.*

*However, the development by the market of the above capabilities will facilitate the continued trend towards iPMI becoming less an esoteric niche attached to 'conventional' domestic PMI and instead simply a continuum on a spectrum of PMI services. Simply put, the better off will increasingly seek health insurance 'without frontiers' because of lifestyle and availability expert care reasons. If local people can be offered compliant plans, and if iPMI producers react as mentioned above, such plans will be increasingly available, and then we will see a sea change in this formerly niche market."*

Ron makes some very good points. Indeed, one of the trends in recent years has been that a growing number of territories have started to flex their muscles and to impose rules around iPMI. This takes two forms. First, products must be compliant with the minimum standards that country lays down. That makes sense, as each country has its own health system and the plan's benefits should both tie-in with that and also cover any gaps. Increasingly, local insurers must be involved too and that typically means that the global ABC Insurance Company will tie-in with the local XYZ Insurance Company to jointly offer a product. Second, in order to even enter the country to live or work, the individual must have adequate iPMI cover in place.

In this way, the local government can both ensure that expats won't be a drain on local health services and also can have some control of the money flows and also ensure people are not being ripped off by being sold unregulated poor value contracts that are not fit for purpose.

So, to build on Ron's number one concern, what are the big issues today in iPMI? I started by asking Ida Luka-Lognoné, the new CEO of Allianz Worldwide Care, for her thoughts:

*“Population mobility and changes in the way that medicine is being practiced will drive the demand for more geographically flexible cover. Nowadays people travel regularly, for both business and leisure. Technological advances and improvements in communication systems mean that working remotely is now easier than ever. As a result, insured members need health insurance that fits in with their lifestyle. Medical specialism will also drive the need for more geographically flexible cover as patients who need to see a specialist may have to travel (potentially abroad). Alongside this, increasing numbers of people are going abroad for treatment, driven by the draw of good medical care at lower prices.*

*Digitalisation will be a key trend in service provision to insured members. We deal with hundreds of thousands of members around the world, who want to interact with their insurer in the simplest and quickest way. With the upsurge in mobile devices such as smartphones, tablets etc. it is now more convenient for members to manage their policy via their mobile devices. Our MyHealth app, introduced in August 2014, offers insured members the ability to submit their international medical claims via their mobile device and without the need for a traditional claim form.*

*Finally, the degree of healthcare regulation is increasing, as is the policing and enforcement of existing regulations. Being part of the Allianz Group means that we are well placed to develop insurer partnerships, allowing us to offer locally compliant plans.”*

John Kaye is director, sales and client management at Cigna. What were his views? He shared Ron's concerns around regulation:

*“The regulatory environment for healthcare around the world is becoming increasingly complex. With local health provision requirements, compliance remains a significant and growing concern for organisations with globally mobile employees. The old concept that local laws ‘don't apply to expats’ is no longer true. A provider must demonstrate a capacity to be forward-looking and keep the employer informed of relevant changes in legislation in the future.*

*Member expectations are also driving innovative web and mobile technology solutions within the industry, as many look to manage their claims on the go.*

*There's also an expectation that insurers' will provide disaster recovery support, in the event of a natural disaster or a medical epidemic, like an outbreak of Ebola. Our disaster recovery provision enables us to react quickly to ensure that assignees are well informed and safe. In often challenging situations, we work with international assistance providers to arrange evacuation, and, of course, we have a 24/7 helpline and online tools for timely updates.”*

AXA PPP International PMI sales and marketing director Kevin Melton was another to see regulation as a priority:

*“Conforming to local health insurance regulation remains a priority. Highlighting this, in markets such as Germany and Dubai there's been a ‘tightening’ of requirements that IPMI providers have to comply with in order to transact business in these locations.*

*Therefore, the importance of a global infrastructure to enable insurers to adhere to local requirements remains vital.”*

One big issue for iPMI insurers is costs. I asked Ida Luka-Lognoné how fast costs are rising and what steps she was taking to tackle claims inflation:

*“In 2014 it was estimated that medical inflation stood at 8.3%, compared to 7.9% in 2013<sup>1</sup>. Corporate clients continue to show interest in claims cost control which means it’s important to be able to demonstrate the effectiveness of our processes and provide details of financial savings. We estimate that up to 30% of claims costs can be made up of extras such as unnecessary diagnostic tests, additional nights in hospital etc. However these extras can be mitigated through careful supplier management for example, putting access agreements in place with facilities where possible, agreeing charging structures and ensuring that, wherever possible, every in-patient claim is preauthorised before treatment commences.*

*Regionally based doctors facilitate in-patient and out-patient direct settlement agreements with local medical providers and support the medical services team by ensuring that proposed treatment and costs are appropriate for the region. Allocating individuals within our Medical Services and Claims teams to specific geographical regions allows us to eliminate unnecessary or excessive charges. These individuals are generally natives of the region they are assigned to, putting them in an ideal position to review and challenge the treatment path and costs proposed.”*

<sup>1</sup> 2014 Global Medical Trends Survey Report, Towers Watson

John Kaye is director of sales and client management at Cigna. How did he see this issue?

*“Medical trends differ region to region. Our members are dispersed more widely across the globe than ever before, and as such, stating a socialised global trend is fraught with difficulty.*

*However, we do have a variety of measures in place to address claims inflation. These include:*

- *prevention through targeted intervention and effective health and well-being programmes*
- *continued network expansion and network negotiations*
- *case management and control.”*

While AXA PPP’s international PMI sales and marketing director Kevin Melton commented:

*“International healthcare costs are generally higher than in the UK. However, providers with a global infrastructure, such as AXA, are able to harness expert resource within their organisations to secure local healthcare services that represent good value and serve the needs of local markets. As such, we’re well placed to manage provider costs to help ensure cover remains competitive.”*

Next I moved on to the type of cover people were now choosing. To some extent, fast rising prices (as with UK PMI plans), will see more people choosing to look to cut costs where they can. But it’s too simplistic to suggest this will be the priority for every customer, as Kevin Melton explains:

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<sup>1</sup> 2014 Global Medical Trends Survey Report, Towers Watson

*“Choice remains the key ‘trend’ for individuals and companies looking to secure international healthcare cover. For some, a low-cost plan covering hospital treatment and care will meet their needs, whilst others might require a broader range of benefits. For our part, reflecting the different needs of the market, we offer four levels of cover that offer specific additional options such as dental care and international travel to enable individuals and companies alike to select cover that matches their varying health and budgetary requirements.”*

Ida Luka-Lognoné sees flexibility as a key driver:

*“While demand for our standard international healthcare plans remains high, we are seeing a growth in interest in specialised products for niche markets. For example, last year we introduced our Marine Plans which offer a compliant solution for onshore healthcare to shipping companies affected by the Maritime Labour Convention 2006. Alongside this there is also demand from specific geographic regions. For example, in China we launched our individual international healthcare plans earlier this year. Demand here is being driven by an increasingly affluent population looking for access to private and international medical facilities.*

*Flexibility and the ability to tailor cover remains very popular. Our standard international healthcare plans are modular allowing members to choose the level of cover that best suits their needs. Plans can be completely tailored for large corporate groups.”*

John Kaye too sees demand widening:

*“The demand for cover is expanding as employers identify new needs. We’ve seen demand increase across a wide range of employee benefits, in addition to medical, dental, vision and wellness, for example: life, accidental death and dismemberment and travel benefits.*

*We’ve also seen a higher demand for more niche products across different industry segments, for example, NGOs and oil and gas businesses.*

*There’s also been a rise in demand for more niche products for different employee types too. Clients with short term assignees for example look for more efficient ways of reducing operating costs. At the same time, they want to distribute the knowledge that their expatriate assignees can provide to their businesses globally.*

*Cover that can complement, rather than duplicate what a national healthcare system provides in either the home or host location of the expatriate assignee is key.”*

That all sounds positive, so next I asked a question no one seems certain of (or at least they’re not letting on if they do know!) - how big is the iPMI market? John Kaye wouldn’t put a number on it but remained positive:

*“Due to its complexity it is difficult to comment on the size of the market, but it is fair to say it is significant and growing rapidly.”*

Ida Luka-Lognoné was prepared to add some figures though:

*“Research<sup>2</sup> valued the global iPMI market at approximately \$9.8billion in 2013, having grown 14% between 2003 and 2013. The uptake of iPMI by expatriates can vary depending on a*

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<sup>2</sup> Global Market for International Private Medical Insurance 2014, McGrigor

*number of factors such as the quality of public healthcare in their destination country, legislation, personal wealth etc. Definitive figures for the number of expatriates are difficult to determine however it is estimated<sup>3</sup> that there were 50.53 million expatriates in 2013.”*

That’s a big market, and it was reassuring that our correspondents all seemed to believe it was continuing to grow. So to conclude our look into the trends and issues around iPMI I asked where they saw iPMI in five years’ time. I started with Kevin Melton:

*“Supporting members beyond hospital treatment and claims payment remains a valuable part of people’s cover and this will continue to be of significance.*

*Telephone interpretation services, convenience via technology that delivers up to the minute information to members and expert personal case management will continue to form an important part of international healthcare cover.*

*And, there’s a growing appreciation that health and wellbeing goes beyond just simply receiving treatment in the event of illness and, therefore, international healthcare companies will increasingly focus on positive health for members’ wellbeing.”*

The final word goes to Ida Luka-Lognoné:

*“Globalisation is likely to continue, with organisations seeking business opportunities in other countries. There will also be an increasing reliance on private sector funding as governments will be unable to fund healthcare for an aging population. Finally members will have access to more sophisticated digital services as technology advances.”*

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<sup>3</sup> Global Expatriates: Size, Segmentation and Forecast for the Worldwide Market 2014, Finaccord