### International Private Medical Insurance - Inflation Report 2015

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Welcome to the 2015 International Private Medical Insurance (IPMI) Inflation report. This report serves to deal specifically with inflation of individual health insurance plan premiums in 2015. Aiming to produce a comprehensive framework for insurance brokers, Pacific Prime clients, Human Resources managers, and individuals. This review shall facilitate discussion and assist in the decision making processes for the renewal and purchasing of Health Insurance.

This report retains the insurers, plans, countries, and regions used in the previous year’s review in a continued investigation to render explanations for inflation of the most frequently purchased plans from the most popular providers. This analysis focuses on eight IPMI insurance providers:

- Allianz Worldwide Care SA
- AXA PPP Healthcare
- William Russell Limited
- Globality Health
- Bupa Global (IHI Bupa)
- Aetna International
- Bupa Global
- Aetna International (InterGlobal)

These plans are commonly purchased within three regions - Asia, the Middle East, and the Rest of the World (excluding the USA and Canada). Results are measured by numerical averages and are not weighted either year-on-year, or by insurance company size.
Global overview

The average percentage increase of IMPI plans in 2015 was 9.2%, a significant difference from the 7.1% increase seen in 2014. Global IPMI inflation has repeatedly stayed 5% higher than the Global Consumer Price inflation, and that it remains this year indicates a correlation between the two.

Attributing factors that have been previously identified continue to influence the global IPMI market, the most influential being the rising cost of healthcare, which has, according to the Global Medical Trend Rate Survey Report 2015¹ published by Aon Hewitt in 2015, inflated by 10.15% in 2015. On a global scale, there are four main drivers behind the cost of healthcare, and therefore IPMI inflation:

- New medical technology
- An imbalance of healthcare resources
- Increased compensation for healthcare professionals
- Healthcare overutilization

South East Asia overview

The South East Asia section of this report is comprised of six locations: Hong Kong, China, Singapore, Thailand, Philippines, and Indonesia. In 2015 the region saw average IPMI inflation of 9.2%, the same as global IPMI inflation. In each of the countries, average IPMI inflation figures were:

<table>
<thead>
<tr>
<th>Location</th>
<th>IPMI Inflation</th>
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<tbody>
<tr>
<td>Hong Kong</td>
<td>9.5%</td>
</tr>
<tr>
<td>China</td>
<td>9.5%</td>
</tr>
<tr>
<td>Singapore</td>
<td>9.5%</td>
</tr>
<tr>
<td>Thailand</td>
<td>8.8%</td>
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<tr>
<td>Philippines</td>
<td>8.8%</td>
</tr>
<tr>
<td>Indonesia</td>
<td>9.1%</td>
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</tbody>
</table>

With premiums increasing from between 6.3% and 13.4%.

Middle East overview

The Middle East section of this report is comprised of one location: Dubai, which Pacific Prime believes to be a strong benchmark for IPMI inflation in the other countries of this region. In 2015 the region saw average IPMI inflation of 9.5% - with insurers reporting premium increases of between 6.3% and 13.0%. The average IPMI inflation in Dubai, and therefore the Middle East is slightly higher than the global IPMI inflation.

Rest of the World overview

The Rest of the World section of this report is comprised of three locations: Brazil, Kenya, and the UK, which Pacific Prime believes to be a strong benchmark for IPMI inflation in the other countries in this report, excluding the USA and Canada. In 2015 the region saw average IPMI inflation of 9.5%. Slightly higher than global IPMI inflation. In each of the countries, average IPMI inflation figures were:

<table>
<thead>
<tr>
<th>Location</th>
<th>IPMI Inflation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>9.2%</td>
</tr>
<tr>
<td>Kenya</td>
<td>9.1%</td>
</tr>
<tr>
<td>The UK</td>
<td>9.6%</td>
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</tbody>
</table>

With premiums increasing from between 7.3% and 10.1%.
The chart above shows the average global IPMI increase each year from 2008 onwards. The average percentage increase of all plans in 2015 is 9.2%, up from the 7.1% increase seen in 2014. When compared to the Global Consumer Price Inflation\(^2\) of 4.5%, IPMI is close to 5% higher. This highlights one of the report’s most intriguing findings: Global IPMI inflation is consistently around 5% higher than the Global Consumer Price inflation. This indicates a strong correlation between the two types of inflation.

This report has been written with the main assumption that IPMI inflation is influenced by the cost of healthcare. According to the Healthcare Trends Institute\(^3\), around US 82 cents of every USD 1.0 spent on insurance premiums in the US are used to cover hospital fees, doctor’s wages, and medicine. Globally, this is certainly true for corporate plans, but in Pacific Prime’s experience this figure is about 10% less for individual premiums.

Because health insurance is purchased with the intent to cover the cost of healthcare, any increase in the cost of healthcare will inevitably result in an increase in IPMI premiums.

This is corroborated by various reports including the 2014 Global Medical Trends report\(^4\) from Towers-Watson and the Global Medical Trend Rate Survey Report 2015\(^5\) published by Aon Hewitt in 2015.

These reports, which highlight global medical trends (the cost of medical care) show that healthcare inflation figures are usually within 1% of IPMI inflation. For example, healthcare cost inflation for 2013, and 2014 were 7.9% and 8.3% (according to the Towers-Watson survey). The Aon Hewitt report put medical cost inflation at 10.15% in 2015. In the same years, IPMI inflation was 8.6%, 7.1%, and 9.2% respectively.

\(^2\) Source: Economy Watch 2015 Economy Watch and Statistics

\(^3\) Source: http://www.evolution1.com/healthcare-trends-institute/how-does-your-health-insurance-dollar-breakdown


Medical insurance inflation drivers

Although other reports do highlight the trends of healthcare costs globally, they do not explain the reasons for why healthcare cost inflation is consistently 5% higher than the Global Consumer Price Inflation. Pacific Prime’s analysis in this report will review four primary drivers that can explain this 5% inflation difference.

These include the cost of new medical technology, an imbalance between the supply and demand of healthcare resources, increased compensation for medical professionals, and healthcare overutilization.

New medical technology

When compared to other industries, the medical industry is among the top in terms of demand and use of new technology. New diagnostic techniques, pharmaceuticals, and procedures are constantly being researched and developed, all of which has a cost that will eventually be passed on to patients when they are approved for public use.

For example, the Fiscal Times\(^6\) found that, “A brand new CT scanner can run as high as USD 2.5 million. Prices are slightly higher for MRI machines, running up to about USD 3 million for a new machine.” Interestingly, this article from the Hastings Center\(^7\) estimates that, “40–50% of annual cost increases [in healthcare] can be traced to new technologies or the intensified use of old ones.”

In addition to technological advances of diagnostic tools, the development of new or improved pharmaceuticals will also influence IPMI inflation since the cost of medication is a benefit that IPMI plans will cover. As an article in the International Business\(^8\) Times highlights, “In the U.S., each of the nine cancer drugs approved by the FDA in 2014 will cost a patient more than USD120,000 for a year of treatment.” The graph in the article shows the average cost of cancer drugs from 1965-2015 and clearly highlights that the cost is rising at what would appear to be a near exponential level. Of course, these figures are for the US, which admittedly has some of the highest costs for drugs in the world, but certain drugs can also be costly in other regions. For example, Singapore’s National University found that the cost for drugs in the treatment of lymphoma averages USD 75,716 (SGD 106,234)\(^9\)

Finally, recordkeeping and admin-based technology like Electronic Health Records are also driving technology costs. In an article published in Medical Economics, PricewaterhouseCoopers’ Health Research Institute (HRI)\(^10\), “Estimates that end-to-end integration of electronic health records systems can increase operating costs by 2% for health systems.” This adoption of electronic health records is now mandatory in the US and quickly becoming the norm in many other countries.

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\(^6\) Source: http://www.thefiscaltimes.com/Articles/2014/07/21/Why-Your-MRI-or-CT-Scan-Costs-Arm-and-Leg
\(^7\) Source: http://www.thehastingscenter.org/Publications/BriefingBook/Detail.aspx?id=2178#ixzz3oJY0RTgF
\(^8\) Source: http://www.ibtimes.com/cancers-high-cost-patients-drug-companies-revolt-after-uk-axes-coverage-cancer-2086910
\(^10\) Source: http://medicaleconomics.modernmedicine.com/medical-economics/content/tags/ehr/hospitals-drug-costs-and-technology-will-increase-healthcare-cost
Global IPMI Inflation in 2015

An imbalance of healthcare resources

In almost every country included in this year's IPMI report we have seen a continued imbalance in supply and demand. For example Singapore "has a high percentage of foreign workers, who currently make up 38 per cent of the total population," and the total population is expected to grow by up to 30% by 2030[11]. This growth will come from primarily foreigners. While Singapore has a strong national health system, foreigners are generally not allowed to participate in it, which means they have to utilize the private system for medical care.

There are 14 private hospitals and centers in Singapore[12] combine this with the fact the number of hospital beds available per 1000 people is generally decreasing in almost every country in the region - Singapore went from 3.5 beds per 1,000 people in 2003 to 3.1 beds per 1,000 people in 2013[13] - and it is clear to see a supply and demand imbalance: More people are going to be accessing medical care, but the number of beds available is decreasing. This will put more pressure on the private medical system which will inflate prices and therefore drive IPMI premiums higher as well.

To compound all of this the population in the countries included in this report is getting older. As an article published by the Economist[14] in 2013 highlights, the global median age has been rising steadily since 1950 and is forecasted to do so for the foreseeable future. There is a two-fold impact that is stemming from this:

First: This means that there is an increase in the number of doctors who will be retiring. Health Leaders Media[15] noted that in the US, "One out of three practicing physicians in the United States is over the age of 55, and many of them are expected to retire in the next 10 or 15 years. Meanwhile, U.S. medical schools have not provided for the loss of 33 percent of the nation’s physician workforce." This is echoed in countries around the world including Hong Kong where, according to Eijnsight[16], “Nearly 2,500 doctors, nurses, professional medical staff and other support personnel are expected to retire this year (2015) and in the next as they turn 60 years old. In the past, only about 20-30 doctors and several hundred nurses retired each year on average, suggesting that the medical profession is facing an aging crisis.” Other countries like the UK have instituted new retirement laws or pension laws which according to the Telegraph[17] will compound shortage issues, "The reduction of the lifetime pensions limit from £1.25m to £1m in 2016 will persuade thousands of GPs, consultants, and dentists to take early retirement, leaving the NHS short of crucial staff." This shortage will likely result in higher costs of healthcare in all sectors and therefore higher health insurance costs.

Second: Health insurance allows people to afford access to much better healthcare, which has no doubt had an impact on how long we live. The downside to this is that as you age you are going to need more medical care which means more claims against your health insurance. As insurers will have to cover a higher amount of risk and more costly care, you will see premiums increase.

At first glance, there seems to be a disparity between the average annual salaries of trained medical professionals and the average annual salaries of other skilled professionals. As with most other things related to medicine, the US leads the way with wages, as this article on R-Street highlights\(^{18}\), “A physician practicing in a primary care setting, according to the U.S. Bureau of Labor Statistics, earned an average of just over USD 200,000 in 2010, while specialists averaged over USD 355,000 (the highest of any professional category tracked)”

For the vast majority of doctors, they also need to invest much more into schooling and licensing. For example the Australian Medical Association’s Doctor Life Cycle\(^{19}\) chart shows that it takes at least 9 years of training to gain your Fellowship (PhD). Time is not the only investment required, as the cost to receive this training is also incredibly high. For example the tuition for one year of medicine at the National University of Singapore\(^{20}\) is SDG 135,650 (USD 97,424). For a PhD in Medicine the University of Cambridge projects a total annual commitment of GBP 20,376 (USD 31,584) per year. Once they graduate and begin practicing medicine, they are also required to pay for negligence insurance, practice fees, and even ongoing training to maintain their license, while also repaying student loans. In order to be able to do this, and to make a living, doctors require higher wages which in turn leads to a higher cost of care and insurance premiums.


\(^{19}\) Source: https://ama.com.au/careers/becoming-a-doctor

This has become a problem seen in almost every country in the report in some form or another. For example an article in the ASCO post reported, “In 2012, an Institute of Medicine report called for better care at lower cost. The report estimated that USD750 billion were wasted each year and attributed USD 210 billion of these dollars to unnecessary care.” Some of the most commonly seen examples of this are doctors ordering MRIs for people suffering back pain, or prescribing antibiotics to those with an Upper Respiratory Tract Infection (URT I) without actually testing whether the infection is viral or not (antibiotics are only effective when the URT I is not viral).

Other countries in the report are experiencing similar issues including the UAE. An article published by The National in 2012 found that members of an insurance scheme “all of whom are UAE nationals, each made an average of 14 outpatient visits last year. Expatriates with enhanced insurance averaged 4.6 visits, and those with basic coverage – the minimum required by law – made 3.1.” Together, this has resulted in an increased strain on the healthcare system, which increased regulation will only compound.

How does this impact IPMI inflation? Simply put, overutilization of medical treatment on a large scale means a higher number of higher cost claims submitted to insurers. In turn, IPMI providers have offset this by increasing premiums, so if overutilization increases, you will see premiums adjust to reflect this.

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Insurers

The 2015 IPMI inflation report features the most popular international health insurance plans from eight global insurers who offer the same plan in the 10 locations included in this report. This year however saw the finalization of a number of mergers in the IPMI industry including:

- the purchase of InterGlobal by Aetna
- the rebranding of both Bupa International and IHI Bupa to Bupa Global
- the rebranding of DKV as Globality Health

As a consequence of this, the plans from both IHI Bupa and InterGlobal (International Health and Hospital Plan; and UltraCare Plans respectively) are included in this report with the old names in brackets.

<table>
<thead>
<tr>
<th>Insurer</th>
<th>Plan Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aetna International</td>
<td>International Healthcare Plan</td>
</tr>
<tr>
<td>Allianz Worldwide Care SA</td>
<td>International Healthcare Plan</td>
</tr>
<tr>
<td>AXA PPP Healthcare</td>
<td>International Health Plan</td>
</tr>
<tr>
<td>Bupa Global</td>
<td>Worldwide Health Options Plan</td>
</tr>
<tr>
<td>Globality Health</td>
<td>You Genio Plan</td>
</tr>
<tr>
<td>Bupa Global (IHI Bupa)</td>
<td>International Health and Hospital Plan</td>
</tr>
<tr>
<td>Aetna International (InterGlobal)</td>
<td>UltraCare Plan</td>
</tr>
<tr>
<td>William Russell Limited</td>
<td>Elite Plan</td>
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</tbody>
</table>
From the chart above, you can see that the average inflation among the providers for each country included in this report is spread out from just over 6% to just over 13% in 2015.

On a global scale (all countries combined), the three providers in 2015 who had the **lowest average premium increase** are:

- **Allianz Worldwide Care SA** - 6.7%
- **AXA PPP Healthcare** - 7.5%
- **William Russell Limited** - 8.6%

All other providers saw average inflation figures of between 9.5% and 11.2%.

A number of providers including Globality Health, AXA PPP Healthcare, and Bupa Global (IHI Bupa) had the same inflation figures in almost every location. The reason this happens is because each insurer will have a different underwriting strategy and its own unique risk exposure. While one insurer may choose to set a different premium structure for every country or region, another insurer that may choose to have just one flat premium structure no matter where the client is based.
When looking at the five year average inflation of the insurers by country, most of the plans have seen premium inflation in countries of between 4% and 12%.

There is one outlier, which is Globality Health with a five year average IPMI inflation of 27.1% in Hong Kong, China, and Singapore.

Globality Health had higher-than-normal inflation changes in 2013 and 2014 (34.1% and 63.6% respectively), which can be attributed to the fact that they were relatively new entrants to the IPMI market at the time (first launching plans in the countries included in this report in 2011).

The plans they started with in 2011 had higher benefit limits than industry standards, especially in Asia, which saw premiums adjust to reflect this in 2013 and 2014. In 2015, inflation for Globality Health is down to a much more manageable 9.5%.

Based on the five year average, the three insurers with the lowest IPMI inflation are:

- Aetna International (InterGlobal) - 6.1%
- Allianz Worldwide Care SA - 7.1%
- AXA PPP Healthcare - 7.9%

All other insurers saw 5 year average inflation rates of between 9.1% and 16.4%.
There are six locations included in the South East Asia region this year:

- Hong Kong
- China
- Singapore
- Thailand
- Philippines
- Indonesia

When looking at the average inflation of the six locations in the region, 2015 saw premiums increase at 9.2%, a 2% rise over last year’s average regional inflation of 7.2%, yet equal to the average global inflation for 2015. When comparing the previous report figures it would appear that international medical insurance inflation in Asia is tracking the world economy. While 2015 saw a 2% increase over that in 2014, it was the same as in 2013, yet still lower than the majority of previous years.

Pacific Prime believes that, aside from the four main contributors to inflation listed at the start of this report there are two extra contributors that have led to this year’s average increase:

- A growing middle class that is also becoming increasingly wealthy and educated that is starting to not only demand better healthcare, but also seek out private medical care and the insurance to cover it.
- Overall, the quality of health-care in South East Asia is increasing, which has led to an increase in the cost and subsequently an increase in insurance premiums to cover this cost. View our Cost of Health Insurance report to learn more about premiums in South East Asia.

To learn more about the inflation in each location in South East Asia, please see the section below.
In 2015, Hong Kong had an IPMI inflation rate of 9.5% and a Consumer Price Inflation\(^23\) of 3.75%. Interestingly, IPMI inflation does not seem to follow local consumer price inflation which has remained mostly stable for the past four years. What, then, explains the bump in Hong Kong’s IPMI inflation rate? We have identified two major contributors to this inflation along with the four listed in the Global overview section above:

- **Increasing cost of care at private hospitals.** For example in an article published by Pacific Prime\(^24\) in early 2015, we found that you can expect to pay USD 24,000 to give birth at a private hospital in Hong Kong. This is a prime indicator that the city has reached a point where International Private Medical Insurance is practically the only type of insurance that can adequately cover costs, which has thereby increased demand for this type of insurance.

- **The Hong Kong Government is actively pursuing options**\(^25\) that push people to receive care from the private sector in order to ease an overburdened public system.

The range of inflation rates among individual insurers in Hong Kong was anywhere from a 6.3% increase to a 13.4% increase. While it is good that Hong Kong’s rate has not returned to the double digit increases that it used to have on an annual basis, this year’s increase comes close, and is expected to creep up again next year, which is not welcome news to consumers.

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\(^23\) Source: Economy Watch 2015 Economy Watch and Statistics


Focus on China

Aside from the four main IPMI influencers Pacific Prime believes that there were three other influencers:

- **People in China, expats included, are becoming a more mature market with demands for not only better healthcare, but also better insurance coverage and the funds to pay for it. This has led to an increase in demand for IPMI plans.**

- **In answer to this growing demand, the Chinese government has introduced new regulations to increase the number of hospitals - especially foreign owned private facilities - in the country. This has led to an increase in the cost of care and insurance.**

- **The government has also introduced expanded health insurance regulation to include critical illness which has resulted in higher overall inflation levels and demand for plans that cover this, which includes IPMI plans.**

As the largest market in Asia, with a quickly burgeoning insurance industry, **it is our prediction that China will likely lead the way for IPMI in the region and should be watched closely.**

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18 Source: Economy Watch 2015 Economy Watch and Statistics


27 Source: http://www.theguardian.com/world/2015/aug/02/china-medical-insurance-healthcare-xi-jinping
Pacific Prime has identified three contributors, beyond the four major inflation contributors in this report, to the IPMI inflation figures seen in Singapore in 2015:

- **The government is focusing on providing care for the ‘pioneering generation’.** People over 65 in Singapore have seen an increase in benefits. While they enjoy higher allowance/benefits from the government, there has been a rise in demand for access to GPs and specialists which has led to increased costs.

- **Primary care services are largely controlled by the private sector.** There is no fee guideline in Singapore for doctor’s fees, so from 2007 onwards (when the fee structure was abolished), the professional fees for doctors have soared.

- **Singapore is upgrading the healthcare system quite aggressively.** The government is set to launch a few new hospitals in the near future and Singapore is a hub for medical tourism in the region, which means wealthy Indonesians fly to Singapore for treatments which in turn increases costs IPMI Inflation.

In Pacific Prime’s view, the new Medishield Life (public/universal health insurance for Singaporeans which was scheduled to be fully revamped by end of 2015), combined with increasing costs at private facilities will drive inflation rates higher in the future.

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28 Source: Economy Watch 2015 Economy Watch and Statistics
This year's IPMI inflation rate of 8.8% is tied with the Philippines for the lowest overall inflation rate in our survey this year, and at least in recent years, appears to be the opposite of the Consumer Price inflation\textsuperscript{29} seen in the country, which was 1.96% in 2015. For all that is worth though, the bottom line is that IPMI customers in Thailand are paying more this year. This tells us that IPMI premiums in Thailand are not generally influenced by the Consumer Price inflation, but by global IPMI trends. The main reason we are seeing a trend closer to the global IPMI inflation trend is that insurers have grouped Thailand together with other countries and applied the same premium increase to the group.

For 2016, Pacific Prime predicts for the increasing in IPMI inflation will continue and could actually be even higher next year.

\textsuperscript{29} Source: Economy Watch 2015 Economy Watch and Statistics
Focus on the Philippines

The Philippines is tied with Thailand to have the lowest overall IPMI inflation rate, 8.8%, this year among the countries covered within this report. Compare this to the Consumer Price inflation\(^\text{30}\) 3.87% as of March 2015, which actually went down in 2015, and it is clear to see that there is almost an opposite trend happening, especially in the past few years. As with Thailand, the reason for this is most likely that insurers have grouped the Philippines together with other similar countries and applied the same premium increase to this group.

What is upcoming for IPMI in the Philippines? Expect it to continue to have among the lowest rate of IPMI inflation, but monitor similar countries like Thailand and Indonesia to see if the Philippines holds pace with them. This could show a lot about insurers’ strategies in the low-cost Asia region.

\(^{30}\) Source: Economy Watch 2015 Economy Watch and Statistics
Indonesia had a significant jump in IPMI inflation rate over the past year. After having the lowest IPMI inflation rate worldwide in 2014 (6.3%), Indonesia has risen to have the top inflation rate among the low-cost Asian countries with a rate of 9.1%. However, it should be noted that Indonesia’s IPMI inflation rate is still below that of the high-cost Asian countries China, Hong Kong and Singapore, which have a 9.5% rate. Interestingly, the IPMI inflation rate in Indonesia is actually the closest to the Consumer Price Inflation seen in the country in recent years, 6.74% as of March 2015, and like the other low-cost Asian countries, it appears that IPMI inflation has not followed the same Consumer Price Inflation trend in recent years. This tells us that IPMI providers have probably grouped the plans they offer in Indonesia together with other similar countries and offered the same premium, which means IPMI inflation in Indonesia will follow global IPMI trends rather than the consumer price inflation in the country.

Last year, we predicted that a growing Indonesian economy would begin an influx of foreign investment and bolster the number of expats heading to the country. The resulting demand created seems to already be having an effect on IPMI premiums. Combine this with the new universal health initiative and we expect to see IPMI inflation figures continue to rise with Indonesia continuing to lead IPMI inflation in low-cost Asia.

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31 Source: Economy Watch 2015 Economy Watch and Statistics
As with other years, the Middle East region of the report consists of just one location: Dubai.

In 2015, the average IPMI inflation in the Middle East was 9.5%, up from last year’s inflation rate of 7.2%. When compared to the global average however, the Middle East saw an inflation rate only slightly higher this year. While IPMI inflation in 2015 was higher than 2014, it was by no means the highest when compared to other years; since 2008 there are 4 years that had higher inflation rates than 2015.

To learn more about IPMI inflation in Dubai please see our section below on the Middle East.
Dubai saw insurance premiums for international private medical insurance (IPMI) rise by an average of 9.5% in 2015, a slight jump over 2014’s average inflation of 7.2%. Inflation in Dubai is quite interesting, especially when comparing IPMI inflation to Consumer Price Inflation of 2.50% as of March 2015. Essentially, Consumer Price Inflation remained near 0% from 2009-2013 and has risen only in the past three years to where it is today, meanwhile IPMI inflation appears to be largely influenced by, and follows, global IPMI trends.

In 2014’s report we noted that Dubai had finally recovered from the 2008 global recession while increased competition had been the major contributors to last the price change. These stay true for this year: Dubai’s economy has seen steady recovery and competition in the IPMI market is growing.

Looking at the inflation by insurer in Dubai for 2015 you can see that figures ranged from just over 6% (6.3%) to 13%, with some seeing inflation figures more than 3% above or below the average for Dubai (9.5%).

Pacific Prime predicts that the inflation next year will be higher than this year’s figures - likely into the double digits. The main reason for this is because the DHA has mandated that all insurance plans in Dubai cover pre-existing conditions. This will lead to much, much higher IPMI inflation in the near future.

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33 Source: Economy Watch 2015 Economy Watch and Statistics
Rest of the World

The locations included in the Rest of the World section of this report include:

- United Kingdom
- Kenya
- Brazil

In 2015, the average IPMI inflation for the three countries included in the Rest of the World was 9.5%, 2.3 percentage points higher than last year's inflation rate, yet only .3% higher than the 2015 global average. The reason for this is because of the higher than average inflation found in the UK which puts the average in the Rest of the World slightly higher than the global IPMI average.

To learn more about inflation in the three countries included in the Rest of the World section, please read our in-depth analysis below.
2015 saw IPMI premiums increase by an average of 9.6%, the highest increase in this year’s report. Compare this to the Consumer Price Inflation of 1.8%\textsuperscript{36} as of March 2015 and it would appear that IPMI inflation, at least in the past four years has been following a similar, yet slightly more exaggerated trend.

Pacific Prime believes that there is one extra factor seen in the UK aside from the four main contributor to this year’s inflation: A recent influx of migrants into the UK has put a significant amount of stress on the public healthcare sector, which has increased demand for private health services who offer care at increased medical costs. This, in turn, has seen an increase in demand for IPMI and insurers shifting premiums to adapt.

Looking at the inflation by insurer in the UK for 2015 you can see that figures ranged from just over 7% (7.3%) to 12.1%, inflation rates that are the least spread out among all of the countries included in this report.

Based on recent events, Pacific Prime predicts that the premium inflation next year will be higher than this year.

\textsuperscript{36} Source: Economy Watch 2015 Economy Watch and Statistics
In 2015, Kenya saw an average IPMI inflation rate of 9.1%, a sizeable increase over the 6.3% inflation rate seen in 2014. While higher than last year, this year’s inflation rate in Kenya is about on par with the global average increase of 9.2%. While like every other country in this report, inflation is on the rise again, Kenya’s IPMI market has fared well with the country being tied with Indonesia for the second lowest inflation of the countries included in this report.

One interesting point to note is that when the IPMI inflation rate is compared with the Consumer Price Inflation37 rate of 6.01% as of March 2015, the IPMI rate for Kenya is the only rate in the report that has actually been below the Consumer Price inflation in recent history.

Looking at inflation from each insurer, inflation ranged from as low as 6.3% to just over 10% (10.1%). This 3.7% spread puts Kenya among the lowest spreads, which tells us that many insurers are likely grouping IPMI plans sold in Kenya into a similar group as the other low spread countries. This in turn explains why IPMI inflation in Kenya follows global IPMI inflation trends instead of local Consumer Price Inflation trends.

In the coming year, Pacific Prime expects to see IPMI premiums continue to increase with global trends.

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37 Source: Economy Watch 2015 Economy Watch and Statistics
The experts at Pacific Prime believe that there are four key factors that are impacting IPMI inflation in Brazil:

- **A dramatic increase in the number of fraudulent claims** - In speaking with insurers who have offered plans in Brazil in the past, many commented that the main reason they pulled out of the market was due to high levels of fraudulent claims found in the country.

- **Strict insurance regulations** - Superintendence of Private Insurance (SUSEP), the main government department responsible for private medical insurance regulation, has been implementing increasingly tough insurance regulations and stricter entrance requirements.

- **Local private plans are expensive** - This has in turn resulted in a demand for better value health insurance, which IPMI certainly is when compared to local cover found in Brazil.

- **Providers trying to recover recent losses** - Because of the increase in fraud and stricter regulations, many IPMI providers in Brazil have seen large losses in the past couple of years. This has led to cost recuperation measures of which inflated premiums make up a large part.

Comparing average inflation by insurer, you can see that premiums are spread between 7.3% and 10.1% which would explain why Brazil’s IPMI inflation rate is so close to the global average.

For the coming year, Pacific Prime predicts that inflation will continue to increase, especially if fraud continues and more IPMI insurers are forced to pull out of the market.