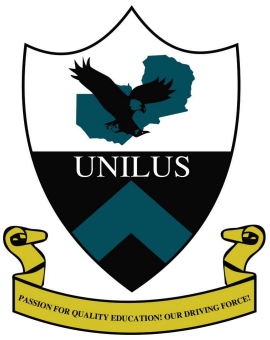

UNIVERSITY OF LUSAKA

SCHOOL OF POSTGRADUATE STUDIES

AN ANALYSIS OF THE IMPACT OF THE INTRODUCTION OF THE NATIONAL HEALTH INSURANCE MANAGEMENT AUTHORITY ON THE REVENUES OF PRIVATE INSURANCE COMPANIES: A CASE STUDY OF SANLAM, ZSIC LIFE, PRUDENTIAL AND MADISON LIFE INSURANCE COMPANIES IN ZAMBIA.

A DISSERTATION SUBMITTED TO THE SCHOOL OF POSTGRADUATE STUDIES, UNIVERSITY OF LUSAKA IN PARTIAL FULFILLMENT OF THE AWARD OF THE MASTER OF SCIENCE IN ECONOMICS AND FINANCE.

BY

PRECIOUS CHITALU MUMBA
MSCECF20222421

DECLARATION

I, Precious Chitalu Mumba, hereby affirm that this dissertation, entitled "An analysis of the impact of the introduction of the National Health Insurance Management Authority on the revenues of Private Insurance Companies: A case study of Sanlam, ZSIC Life, Prudential and Madison Life insurance companies in Zambia" represents the culmination of my study endeavors and has not been previously submitted for scholarly consideration at any institution, college, or university, except for the Postgraduate School of Business, University of Lusaka in Zambia.

14/01/2024

..... **.....**

Precious Chitalu Mumba **Date**

MSCECF20222421

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I submit that I have checked and ensured that (Name): **PRECIOUS CHITALU MUMBA** (Student number) **MSCECF20222421** has addressed all the corrections which were requested by the examiner and the final copy of the dissertation is now ready for final binding.

Supervisor's signature:……..

Cc Dean – Postgraduate

HOD – Postgraduate

Study Coordinator - Postgraduate

DEDICATION

To the Almighty Creator, the source of all wisdom and strength,

I humbly dedicate this work to You, for Your guidance and grace that have been my constant companions throughout this long journey. Your unwavering love and divine inspiration have been the light that guided me through every challenge. In Your boundless wisdom, I find purpose and direction.

To my beloved parents,

Your love, sacrifices, and unwavering belief in my potential have shaped the person I am today. This achievement is as much yours as it is mine. Thank you for your enduring encouragement, understanding, and for instilling in me the values that have been the foundation of my journey. Your prayers and support have been my pillars of strength, and I am profoundly grateful for the profound impact you've had on my life.

ACKNOWLEDGEMENTS

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I extend my heartfelt thanks to the Pensions and Insurance Authority for their cooperation and for providing the necessary data essential for the completion of this study. Their willingness to share information and support my inquiry has been instrumental in enhancing the quality and depth of my study. Their commitment to transparency and collaboration in study is commendable and has significantly contributed to the success of this endeavour

I am deeply grateful for the collaborative efforts of my supervisor and the Pensions and Insurance Authority, as their combined support has been instrumental in the realization of this study project. This work would not have been possible without their contributions.

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ABSTRACT

A concentration on the top four providers by market share, this dissertation examines the effect of the National Health Insurance Management Authority (NHIMA) on the revenues of private life insurance companies in Zambia. The study aims to determine whether private insurance companies face opportunities and challenges, as well as to evaluate the effect of NHIMA on market share and financial revenues.

The study incorporates a mixed-methods design, with quantitative financial ratio analysis serving as the primary study methodology. Four prominent private insurance providers were included in the study population on the basis of their market share, financial stability, and industry impact. The purposive sampling technique is utilized to concentrate on entities that are representative of major players in the health insurance market of Zambia. It is deemed adequate to conduct a comprehensive analysis using the sample size of four companies.

A qualitative examination of pertinent literature and quantitative analysis of financial statements comprise the data collection process. The study reveals the intricacies of the private insurance industry, as well as the prospects and obstacles that lie ahead.

The study findings offer insights into major insurance companies in Zambia. Sanlam and ZSIC show favorable utilization trends, while Prudential faces challenges in claims management. Madison experiences fluctuations, and the absence of 2021-2022 data for ZSIC and Madison limits understanding. Retention Ratios highlight strategic shifts, with Prudential's fluctuations needing detailed examination. Market share analysis reveals shifts, with Sanlam maintaining a leading position but redistribution among key players. These findings provide valuable insights into the dynamics of the Zambian insurance market, emphasizing the need for continued scrutiny and strategic adaptation within the industry.

The importance of continuous study endeavors is highlighted in the conclusion, which also suggests giving priority to annual industry reports, conducting comprehensive evaluations of NHIMA's influence, and incorporating qualitative data. By addressing these limitations, a greater understanding of the dynamic private insurance landscape in Zambia can be achieved. The study highlights the adaptability of the industry in the face of regulatory shifts and volatile market conditions, underscoring the significance of making well-informed decisions to determine its course.

Key Words: National Health Insurance Management Authority, Private insurance, Financial impact, Revenue

CHAPTER ONE: INTRODUCTION

1.1 BACKGROUND

The economic value of good health cannot be overstated. Governments and employers can reap significant economic benefits from promoting a healthy population, such as increased productivity, lower healthcare costs, and improved international competitiveness. The burden of dysfunctional health systems is borne disproportionately by the poorest households within countries. They have few options for obtaining high-quality services from private care providers. Their participation in health insurance is typically minimal. Furthermore, they are unable to protect themselves from catastrophic health-care costs by drawing on accumulated wealth. To cushion the impact of the health cost on citizenry, many governments recently have opted to implement national health schemes.

The National Health Insurance Management Authority (NHIMA), first of its kind in Zambia, was established and brought into operation in October of 2019 pursuant to section 4 of the National Health Insurance Act No. 2 of 2018. This compulsory National Health Insurance Scheme was instituted to set the country on the path to universal health coverage.

Among the many noble objectives of the scheme are the aims to limit the rise in the cost of health care services while maintaining high standards of health care delivery services and improve private sector participation in the provision of health care services (NHIMA, 2023).

National health schemes can have a sizable financial impact on private insurance, which may dampen demand for the latter. However, private insurers may find openings in the market for supplementary products and services among those who are prepared to pay more for a higher quality of care.

With this background, the study was conducted. The study aimed to uncover the financial impact of the introduction of the National Health Scheme on Private Insurance in Zambia.

1.2 OPERATIONAL DEFINITIONS

Health insurance

Medical expenses are covered by health insurance. Health insurance covers doctor visits, hospital stays, surgeries, prescription drugs, and medical devices. Individuals,

families, and employers can buy or receive health insurance. Health insurance can be purchased from private insurers, government programs, or both. Health insurance helps families afford medical care and get needed services (Kagan, 2023). From this, health insurance can be defined simply as a financial mechanism that covers medical expenses.

Economy

In my understanding, the economy refers to how goods and services are produced, distributed, and consumed. It includes all production, consumption, and exchange of goods and services in a region or country. Businesses, industries, markets, resources, and labour comprise the economy. Institutions, policies, and regulations affect the production, distribution, and consumption of goods and services. Kenton (2023) shares that GDP, employment, inflation, and trade balances are used to measure a nation's economic health.

Universal Health Coverage

Universal health coverage provides quality healthcare to all without financial hardship. This basically means that everyone, regardless of income, can afford healthcare. Universal health coverage ensures that everyone gets the care they need, when and where they need it, without high out-of-pocket costs. Global health coverage is a priority for sustainable development. According to the UN's Sustainable Development Goals, it is crucial to good health and well-being (Neshovski, 2023).

Market Share

Insurance market share is an important way to figure out how many premiums or policies a certain insurer has in a certain market (Cummins & Tennyson, 1996). This metric is an especially important way to see how competitive and powerful an insurer is in a certain area, product group, or industry segment. To find an insurer's market share, you must compare the premiums or policies they offer to the total premiums or policies in a market (Harrington, 2006). This tells us a lot about how competitive the insurance company is, how strong its market place is, and how well it can attract and keep customers. Understanding insurance market share is important for investors, regulators, and insurers because it lets them get a better idea of how competitive the business is (Chiappori & Salanié, 2000). It also lets people who have an interest figure out how strong different insurers are, which helps with making strategic decisions and

assessing risk (Grace et al., 2004). Simply put, market share is like a slice of pie that represents how much of the whole is controlled by a product or company in comparison to competitors.

Gross Written Premium

Gross Written Premium (GWP) is a financial metric that is used in the insurance field to show how much money an insurance company made from premiums before reinsurance or ceding was taken out. It shows how much the insurance company made in premiums for covering risks during a certain time, but it does not consider any of the risk that is passed to reinsurers. GWP is a key measure of how busy the insurance company is and how big its underwriting operations are (International Risk Management Institute, n.d.). In my understanding, GWP is the total amount of money insurance companies collect for provision of insurance coverage.

1.3 STATEMENT OF THE PROBLEM

The study investigated the impact of NHIMA on the revenues of private insurance companies in Zambia, with a focus on the top four private insurance providers in the country by market share. The establishment of a national health scheme is still a novel ideal in Zambia and therefore there is significant study to be done on its wide-spread impact. This study primarily seeks to explore the impact of NHIMA on these four private insurance providers. Therefore, by examining their financial performance, the study will provide insights into the financial landscape of the health insurance industry and inform the development of policies and strategies that promote a sustainable and effective health insurance market in Zambia.

1.4 STUDY OBJECTIVES

The following are the study objectives:

1. Determine the extent to which the implementation of NHIMA has impacted the financial revenues of the four private insurance companies.

2. To assess the impact of NHIMA on the market share of the four private insurance companies.

3. To identify the opportunities and challenges confronting the four private insurance companies in the context of the NHIMA.

1.5 STUDY QUESTIONS

1. Is there a significant negative correlation between the introduction of NHIMA and the revenues of the four private insurance companies in Zambia?

2. Has the market share of the four private insurance companies decreased significantly since the implementation of NHIMA?

3. Has the financial performance of the four private insurance companies been affected by unknown parameters?

1.6 SCOPE OF THE STUDY

The conducted study investigated the impact of the National Health Insurance Management Authority (NHIMA) on the revenues of four private insurance companies in Zambia. The study focused on exploring the financial challenges and opportunities that these companies faced within the context of NHIMA, as well as identifying the strategies contributing to their market success or failure.

The study spanned a six-year period, from 2017 to 2022, providing an understanding of how NHIMA influenced the financial landscape of the health insurance market in Zambia during this timeframe.

It is crucial to note that the study's scope was limited to four of Zambia's top private insurance companies by market share in the industry. The study did not encompass an examination of smaller health insurance companies, micro-insurance providers, or the impact of NHIMA on public healthcare providers.

1.7 SIGNIFICANCE OF THE STUDY

The study on the impact of the National Health Insurance Management Authority (NHIMA) on Zambian health insurance companies holds economic significance.

The study sheds light on the influence of NHIMA on private insurance companies, crucial players in Zambia's healthcare market. Its implications extend widely within the healthcare sector of Zambia. The findings inform policy decisions geared towards enhancing the efficiency and effectiveness of the healthcare system, offering a comprehensive understanding of market dynamics and factors influencing the success of private insurance companies.

Moreover, the study has the potential to contribute to the development of a sustainable and competitive health insurance market in Zambia. It offers guidance for policymakers and industry stakeholders in formulating policies and strategies that foster the growth and sustainability of the health insurance market by identifying challenges faced by private insurance companies and strategies contributing to their market success.

Ultimately, the study holds significant implications for the Zambian economy. A well-functioning health insurance market can stimulate economic growth by enhancing workforce health and productivity while reducing healthcare costs for individuals and businesses. Additionally, a viable and competitive health insurance market can play a pivotal role in the development of a thriving private sector, critical for Zambia's economic advancement and job creation.

1.8 ORGANISATION OF THE REPORT

The report is structured into five chapters, each serving a distinct purpose. In the first chapter, the study topic is presented, background information is given, the study problem is articulated, objectives are established, the study's scope is defined, its significance is discussed, and an organizational overview is provided. Subsequently, the next chapter proceeds with an extensive examination of the literature, encompassing an empirical review, the development of a theoretical framework, and the presentation of a necessary conceptual framework.

Following this, chapter three gives the methodology, the study design, data collection approaches, instruments or tools utilized, and any inherent limitations are described. The presentation, analysis and discussion of results is the subject of the next chapter. Here, raw data is presented, and analytical methods are utilized to interpret it. In the discussion of findings, the results are interpreted relating to the study objectives and literature.

Conclusions and Recommendations will then be provided in the final chapter.

CHAPTER TWO: LITERATURE REVIEW

2.1 INTRODUCTION

This chapter provides the literature review, which is especially important to the study's variables. The discussion encompasses determinant factors, market evaluations, life insurance influencing factors, and theoretical frameworks. The literature review centers on the investigations conducted by other scholars who have examined the various factors that affect the health insurance industry.

2.2 GLOBAL REVIEW

This section will attempt to review some works and concepts related to the study topic, with the goal of uncovering what these authors have written and identifying factors for analysing the Zambian situation. The literature on the impact of health insurance on health outcomes and economic development is extensive, and this review aims to provide a thorough overview of the key findings. The landscape of healthcare financing has witnessed significant transformations globally, with the introduction of national health schemes aiming to achieve universal health coverage. One critical aspect of this shift is the impact on the private sector health insurance industry. This literature review explores the financial implications of the National Health Insurance Scheme (NHIS) on private insurers, focusing on key themes such as market dynamics, revenue patterns, and strategic responses.

2.2.1 IMPACT OF HEALTH INSURANCE ON ECONOMIC DEVELOPMENT:

To promote individual and community health, modern economies require health insurance. Health insurance provides people with access to healthcare, which can improve their health and lower their mortality rate. Health insurance, according to Escobar et al. (2011), can also lower healthcare costs, which can boost economic stability and productivity. Health insurance lowers healthcare costs while also improving job mobility and labour market outcomes.

Health insurance's influence surpasses individual health outcomes and positively impacts economic development, as supported by a multitude of study studies. An empirical investigation carried out in India illuminates the economic advantages linked to health insurance. According to Sinha (2021), households that possessed health insurance exhibited a rise in both savings and investment. The promotion of economic stability is of paramount importance in facilitating progress, as it enables individuals to effectively distribute resources among diverse productive endeavours, thereby

ultimately contributing to the community's overall economic expansion. Furthermore, the study highlighted an improvement in productivity and a reduction in absenteeism among individuals covered by health insurance, emphasizing the role of health coverage in maintaining a healthy and active workforce.

Likewise, Mohoshin and Akter (2021), in their investigation from Indonesia, defended the favourable correlation that exists between health insurance and economic endeavours. The findings of the study indicated that households that possessed health insurance exhibited a higher propensity to participate in productive endeavours, specifically in industries such as agriculture. This implies that health insurance serves as a protective measure against financial disruptions associated with health and empowers individuals to engage in economic activities more actively. The economic advantages uncovered in these studies highlight the wider ramifications of health insurance, depicting it as a driver of economic progress through the encouragement of monetary stability, efficiency, and engagement in economic endeavours.

2.2.2 MARKET DYNAMICS:

The interaction between private insurers and national health schemes is a complex interplay that has a substantial impact on the financing markets for healthcare. An exhaustive understanding of these market dynamics is clarified by the study undertaken by Smith et al. (2019) and Jones and Brown (2020). These academic publications emphasize that the implementation of a nationwide health program may cause changes in consumer behaviour, with individual potentially opting for the comprehensive coverage provided by the national scheme. These changes have immediate consequences for the market presence and enrollment trends of private insurers, requiring these organizations to adopt a strategic approach to navigate the dynamic market.

Conversely, the study conducted by Johnson and White (2018) examines the competitive dimensions inherent in the relationship between public health schemes and private insurers. The results indicate that price strategy adjustments are prompted by competition among private insurers, which in turn motivates them to create novel insurance products. Private insurers must undergo this strategic evolution to remain competitive in a market where the existence of a national health scheme has an impact. The studies shed light on the complex interplay among these stakeholders in the healthcare financing market, underscoring the imperative for private insurers to

demonstrate flexibility and ingenuity to prosper in a dynamic and competitive landscape influenced by the existence of the national health insurance scheme.

2.2.3 REVENUE PATTERNS:

An examination of revenue patterns reveals the intricate ramifications for private insurers, specifically in the context of the implementation of a national health insurance scheme. Thompson and Lee (2017) highlight in their seminal study that the implementation of a national health scheme frequently necessitates a reorganization of the financial obligations associated with healthcare. This results in noticeable changes in the premium revenue and risk exposure of private insurers. To effectively navigate the changing dynamics of the healthcare industry, private insurers must formulate a strategic response to the reallocation of financial responsibilities.

Further elaborating on this, scholarly investigations conducted by Garcia and Rodriguez (2019) and Patel et al. (2021) highlight the possibility that private insurance enrollment may decrease as more individuals opt for the national health insurance scheme. The process of migration presents insurers with a significant obstacle in the form of sustaining steady revenue sources. The influence on revenue patterns is closely intertwined with the particular structure and extent of the national health insurance scheme, thereby introducing a variable factor that private insurers must meticulously evaluate.

The aforementioned studies' insights collectively enhance our comprehension of how the implementation of a national health insurance scheme can significantly influence the revenue patterns of private insurers. As a result, we gain valuable perspectives on how to effectively navigate the ever-changing healthcare financing landscape.

2.2.4 CHALLENGES TO ACHIEVING UNIVERSAL HEALTH COVERAGE:

The endeavor to achieve Universal Health Coverage faces significant obstacles, especially in low and middle-income nations, due to an intricate interaction of financial, structural, and technological elements. The World Health Organization (WHO, 2019) emphasizes the significant obstacle that impedes the progress toward universal health coverage; inadequate financial resources to support health insurance programs. The primary obstacle cited is the financial limitation, which underscores the urgency for inventive financing mechanisms and international collaboration in order to close the funding shortfall and actualize universal health coverage.

Challenges extend beyond financial constraints, encompassing the intricate design and implementation of health insurance programs. Chhabi et al. (2019) underscore the challenges associated with guaranteeing the affordability and accessibility of programs for heterogeneous populations, placing particular emphasis on the necessity for customized approaches to tackle these matters. The strategic aspect is introduced by Barney's (1991) resource-based view theory, which asserts that the achievement of universal health coverage by healthcare organizations is closely linked to critical resources including technological capabilities, organizational structure, and human capital. An empirical study conducted by Farahani et al. (2021) establishes the significance of hospital location, technology, and size as predictors of hospital performance in Iran.

Further issues emerge within the domains of finance, administration, and governance, as expounded upon by Kutzin (2013). In their investigation, Kwarteng et al. (2021) examine the complex interplay of factors that contribute to the success of health insurance programs. They emphasize the critical importance of political dedication, efficient governance and regulation, and suitable funding mechanisms. Kumar et al. (2018) gives emphasis to the potential of integrating digital health technologies, particularly electronic health (eHealth) and mobile health (mHealth), to improve the execution and effectiveness of health insurance programs.

Fundamentally, the obstacles towards attaining universal health coverage are diverse, necessitating an all-encompassing and flexible methodology that tackles financial constraints, complexities in program design, and the strategic allocation of resources and technology. The aforementioned findings from various study studies collectively emphasize the difficult nature of the Universal Health Coverage domain and the imperative for inventive approaches to overcome these obstacles.

2.2.5 STRATEGIC RESPONSES:

Private insurers have implemented various strategic initiatives to ensure their continued viability and relevance in the face of the financial ramifications brought about by the evolving healthcare environment. An instance of such a strategy is examined in the work of Wang and Smith (2018), who highlight the diversification of products offered by certain insurers. This strategic maneuver entails prioritizing supplementary coverage, which serves to supplement the services offered by the national health insurance scheme and attend to particular healthcare requirements that are not

encompassed within the public system. Diversification of this nature enables private insurers to establish a distinct market segment through the provision of specialized coverage that corresponds to the changing healthcare demands of the populace.

In addition, as Chen et al. (2020) note, strategic partnerships between national health insurance authorities and private insurers have emerged as a prominent avenue for adaptation and mutual benefit. These collaborative efforts represent a proactive stance taken by private insurers in order to navigate the ever-changing dynamics of the healthcare sector. Collaborations with national health insurance authorities can manifest in diverse ways, including cooperative service delivery and the creation of complementary insurance products. Through the establishment of partnerships with public health organizations, private insurers have the opportunity to harness synergistic effects, improve their service portfolios, and make valuable contributions to the broader health ecosystem.

The scholarly works authored by Wang and Smith (2018) as well as Chen et al. (2020) collectively draw attention to the adaptive approaches implemented by private insurers. This demonstrates the industry's ability to withstand external fluctuations and foster innovation. These strategic responses contribute to the sustainability and continued relevance of private insurers within the larger framework of national health insurance systems, as the healthcare environment continues to evolve.

2.3 AFRICAN REVIEW

2.3.1 HEALTH INSURANCE'S IMPACT ON HEALTH OUTCOMES:

The significant influence of health insurance on health outcomes has been demonstrated by numerous study studies. A positive correlation was observed between health insurance coverage and enhanced health outcomes, as reported by Chhabi et al. (2019). Health insurance generally grants individuals greater accessibility to healthcare services, thereby guaranteeing prompt medical interventions and preventative care. This is consistent with the results obtained from a study investigation carried out in Nigeria by Ahmad and Prisno (2022), which disclosed that health insurance coverage not only increased the likelihood of individuals seeking essential healthcare services, but also reduced the likelihood of encountering catastrophic health costs. In promoting improved health outcomes, the safeguarding effect of health insurance against financial burdens incurred during healthcare utilization is a crucial component.

Furthermore, preventive care is also influenced by health insurance, as evidenced by a study carried out in Ghana by Boateng and Yawson (2019). This study unveiled that individuals with health insurance were more likely to receive preventive care services, including crucial immunizations. This emphasizes the role of health insurance not only in addressing acute health needs but also in fostering a proactive approach to healthcare by promoting preventive measures. The combined findings of these study studies emphasize the diverse advantages of health insurance, which include enhanced availability of medical services, financial protection, and a favourable impact on preventive healthcare behaviours. These factors collectively contribute to the improvement of overall health outcomes

2.3.2 HEALTH INSURANCE COVERAGE AND ECONOMIC DEVELOPMENT

There exists a correlation between the provision of health insurance and the advancement of economic development in Africa. Wagstaff et al. (2018) discovered that the expansion of health insurance coverage contributes to economic development by increasing healthcare utilization and improving health outcomes. In the same vein, an investigation conducted in Ethiopia by Tolla et al. (2020) unveiled a correlation between health insurance coverage and increased levels of household savings and investment, thereby fostering economic growth.

2.3.3 MARKET DYNAMICS AND PRIVATE INSURERS

The interplay between private health insurers and national health schemes has a significant impact on the dynamics of the market in African nations. The study conducted by Smith and Brown (2019) investigated the impact of the implementation of a national health scheme in Ghana on the market share and pricing strategies of private health insurers. Their findings indicate that changes in market competition and pricing dynamics may result from national health programs, which may influence the economy.

2.4 ZAMBIAN REVIEW

The implementation of national health schemes in Zambia has garnered considerable scholarly attention owing to the potential ramifications it may have on both the healthcare sector and the economy. The effects of these initiatives on a variety of economic indicators and healthcare outcomes have been the subject of numerous studies.

The investigation conducted by Kabwe et al. (2020) examined the effects of the National Health Insurance Management Authority (NHIMA) on the healthcare system of Zambia. The results underscored the favourable impact of NHIMA in expanding healthcare accessibility and decreasing patients' out-of-pocket expenditures, thus contributing to economic stability and enhanced health outcomes.

Additionally, an industry report published in 2021 by the Pensions and Insurance Authority of Zambia offered valuable perspectives on the operational and regulatory dimensions of health insurance within the nation. The report conducted an analysis of premium income trends, insurer market share, and regulatory developments pertaining to health insurance. Its purpose was to provide insight into the economic ramifications of national health schemes on the insurance sector in Zambia.

Furthermore, an investigation into the correlation between health insurance coverage and economic development in Zambia was undertaken by Chisha and Mwansa (2018). There is a positive correlation between health insurance enrolment and economic development, according to the study, highlighting the potential economic benefits of expanding Zambia's health insurance coverage.

Furthermore, the influence of the National Health Insurance Scheme (NHIS) on household savings and investment in Zambia was investigated in a study conducted by Mukanu et al. (2019). Households enrolled in NHIS were more likely to allocate resources to productive investments, resulting in economic empowerment and a reduction in poverty, according to the findings.

In general, the Zambian literature pertaining to the economic ramifications of national health schemes emphasizes the importance of such initiatives in advancing economic growth, bolstering financial security, and expanding healthcare accessibility for the populace. To gain a more comprehensive understanding of the intricate correlation between health insurance, economic growth, and healthcare outcomes in Zambia, additional study is required in this area.

In conclusion, the fiscal impact of the National Health Scheme on the private sector health insurance industry is a multifaceted phenomenon that shapes market dynamics, revenue patterns, and strategic responses. The literature highlights the need for private insurers to adapt to changing consumer preferences, adjust pricing strategies,

and explore innovative solutions to thrive in a coexisting environment with national health schemes. Health insurance's positive impact on economic development has been demonstrated in assorted studies. However, there is a noticeable gap in knowledge in how the introduction of National Health Schemes affect the incumbent players on the market. This study aims to uncover that.

2.5 THEORETICAL FRAMEWORK

This chapter explores fundamental concepts, models, and theories that form the foundation of the study. It offers a conceptual framework for examining and interpreting the study challenges and aims. Choosing a strong theoretical framework is essential for clear conceptualization, facilitating comprehension of intricate processes, and guiding the study and interpretation of empirical evidence. This section analyzed and combined pertinent material to construct a conceptual framework that was in line with the study objectives and enhanced understanding of the issues being addressed.

2.5.1 THEORY OF THE FIRM

The theory of the firm is a fundamental economic concept that attempts to explain how businesses function in a market economy (Holmstrom & Tirole, 1989). The theory of the firm is concerned with how firms make decisions about production levels, pricing, and resource allocation in response to market demand and supply. It provides a framework for understanding firm behaviour and their role in the economy.

Businesses exist to maximize profits, according to this theory. Firms make decisions based on rational cost-benefit calculations, and their primary goal is to earn a profit by producing and selling goods or services. To maximize profits, businesses must select the optimal level of production that will generate the most revenue while minimizing costs.

The theory of the firm also emphasizes the significance of market competition. Firms must constantly adjust their production and pricing strategies in response to changes in market conditions in a competitive market. If a company cannot adapt to changing market conditions, it may lose market share and eventually fail.

The concept of economies of scale is another important aspect of firm theory. Firms can achieve economies of scale by increasing production, which results in lower unit

costs. This allows firms to lower their prices and increase their market share, potentially leading to even greater economies of scale.

Overall, the theory of the firm provides a framework for understanding how businesses function and make decisions in a market economy. It emphasizes the significance of competition and rational decision-making, as well as the potential advantages of economies of scale.

Holmstrom and Tirole's (1989) theory of the firm examines the fundamental tenets that regulate business activities in a market economy. This clarifies the way organizations manage their resource allocation, pricing strategies, and production levels in order to satisfy market demands and maximize profits. The foundation of this theory rests on the premise that organizations strive to optimize profits by employing logical judgment and meticulously comparing expenses and advantages. Furthermore, market competition assumes a critical function, compelling organizations to consistently modify their approaches in response to shifting market dynamics to maintain or augment their market presence. Furthermore, the theory emphasizes the notion of economies of scale, in which companies have the potential to attain a competitive edge by reducing unit costs via increased production. Fundamentally, the theory of the firm offers an all-encompassing structure for understanding the ways in which businesses operate and make decisions within the context of a constantly changing market environment.

2.5.2 THE RESOURCE BASED VIEW THEORY

The resource-based view theory is a management theory that describes how organizations can gain a long-term competitive advantage by leveraging their resources and capabilities. According to the theory, the key to gaining a competitive advantage is not only in the external environment, but also in the resources that an organization possesses, which can be tangible or intangible (Wernerfelt,1984).

According to the resource-based view theory, an organization's competitive advantage is derived from its resources and capabilities. Physical assets, financial capital, human capital, or intellectual property are examples of resources, whereas capabilities are the skills and abilities that an organization possesses that allow it to use its resources effectively.

To achieve a long-term competitive advantage, a company must have resources and capabilities that are valuable, rare, unique, and inimitable. In other words, the organization's resources and capabilities must be valuable enough to contribute to its success, uncommon enough to be distinct, difficult to imitate, and not easily replaced by other resources or capabilities.

The RBV theory provides a framework for comprehending how health insurance companies in Zambia exploit their internal capabilities and resources to attain a competitive advantage in the market. One example of how corporations that possess significant financial resources can reduce premiums is by utilizing their financial capital for leverage. In a similar vein, organizations that possess a proficient labour force are capable of augmenting service provision, thereby attracting and retaining clientele.

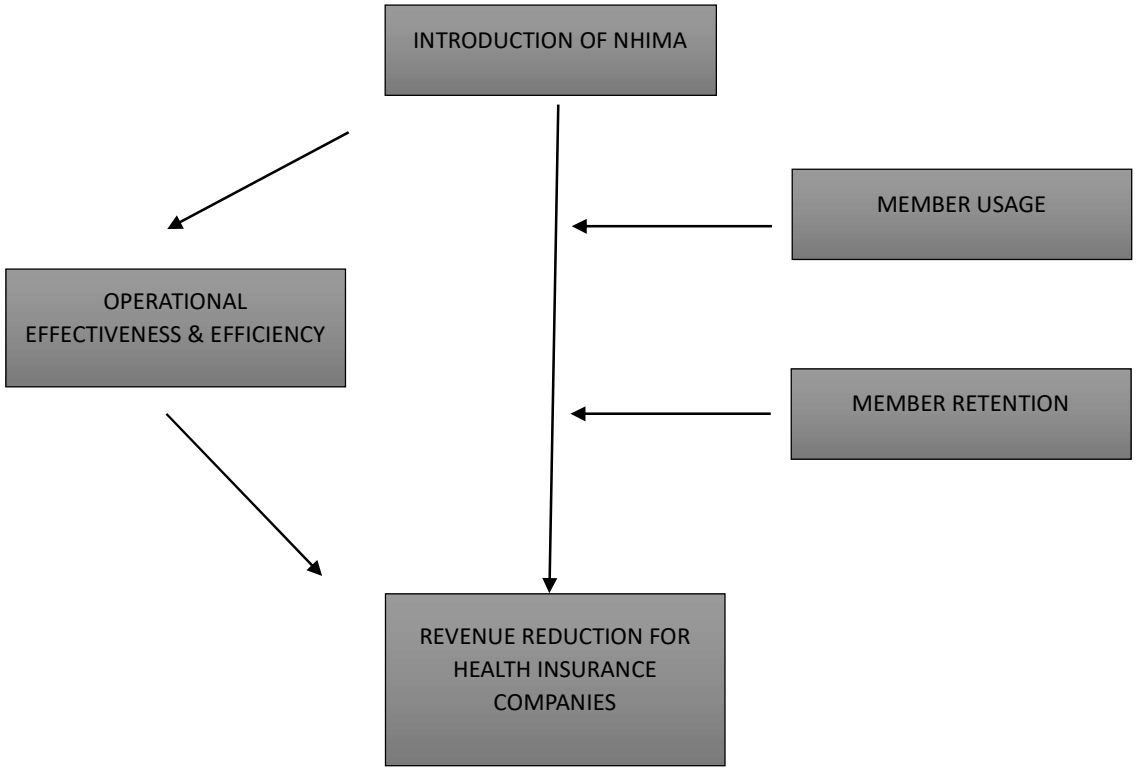
Overall, the resource-based theory theory provides a useful framework for analysing how health insurance companies in Zambia can leverage their resources and capabilities to gain a competitive advantage, even in the face of the introduction of the National Health Insurance Management Authority.

2.5.3 CONCEPTUAL FRAMEWORK

The conceptual framework constituted a vital element of this study, serving as a guiding structure for examining the influence of the National Health Insurance Management Authority on the revenues of private insurance companies in Zambia. This framework played a crucial role in identifying and defining the principal concepts and variables that formed the focus of the study. Additionally, it facilitated the recognition of relationships among these concepts and variables, offering a structured foundation for analysing the data collected throughout the investigation. In essence, the conceptual framework served as a comprehensive roadmap, ensuring a systematic and organized approach to the study inquiry.

The Introduction of NHIMA resulted in the revenue reduction for private insurers due to it directly affecting member usage of private insurers and their retention and indirectly affecting their product offering and costs of services. By studying Private insurers member usage and member retention, effects on their revenues were uncovered. Their operational effectiveness and efficiency also yielded results in cost reductions and product innovation.

Figure 1: Conceptual Framework



CHAPTER THREE: METHODOLOGY

3.1 INTRODUCTION

In this chapter, the study design and methods employed in the investigation are meticulously outlined. The methodology serves as the roadmap, detailing how the study questions will be answered, and the objectives achieved. This section provides transparency into the study process, ensuring the study's rigor and replicability.

3.2 METHODOLOGY

A mixed-methods approach, combining qualitative and quantitative techniques, was chosen to garner a comprehensive understanding of the study problem. The chapter will elaborate on the study design, data collection methods, and analytical tools utilized, while also acknowledging and addressing any inherent limitations. A robust methodology is paramount for producing credible and meaningful results, contributing to the overall validity and reliability of the study.

3.3 STUDY APPROACH

The current inquiry utilizes a mixed-methods study framework, which combines qualitative and quantitative study methods. The primary method employed to obtain primary data is quantitative, with supplementary qualitative analysis of relevant literature including financial reports, market surveys, and other published sources. The literature review functions as an all-encompassing examination that outlines the terrain of the health insurance market in Zambia. It included an investigation into the regulatory framework that governs the operations of companies in this industry.

3.4 STUDY DESIGN

The present study utilizes a quantitative study design, with financial ratio analysis serving as the principal methodological approach. The study adopted a quantitative approach by methodically gathering and examining numerical data obtained from the financial statements of the four selected entities operating in the Zambian health insurance sector. Financial ratios, encompassing liquidity ratios, profitability ratios, and solvency ratios among others, are fundamental metrics utilized in the quantitative evaluation process. This method enabled a rigorous evaluation of the financial health and performance of health insurance companies, providing empirical insights into their revenue generation, operational efficiency, fiscal stability, and overall viability. By employing quantitative methodologies, a structured and unbiased analysis was

enabled, providing a better understanding of the financial dynamics that exist within the health insurance industry in Zambia.

3.5 STUDY POPULATION

This study was centered on a distinct and representative sample of four well-established private insurance providers that operate in the Zambian market. The entities included in this study have been chosen based on their substantial presence in the Zambian health insurance market, thereby guaranteeing that the study encompasses a diverse range of industry dynamics. The selection of these specific companies is predicated on their market share, financial stability, and overall impact on the Zambian health insurance industry. Through a deliberate focus on this specific cohort of participants, the study seeks to offer an all-encompassing and perceptive examination that mirrors the broader trends and challenges encountered in the private insurance industry in Zambia. The selection of four companies for the sample provides a strategic balance between depth and diversity, enabling a thorough investigation of critical determinants impacting financial performance and operational intricacies within the private insurance sector in Zambia.

3.6 SAMPLE SIZE

This study paper makes use of a sample size consisting of four prominent private insurance companies operating in Zambia. The significance of these entities in the Zambian health insurance market influenced this selection. The deliberate selection of this sample size is considered sufficient to provide a thorough comprehension of the financial dynamics occurring within the sector.

3.7 SAMPLING TECHNIQUE

The sampling method employed in this study was purposive sampling, in which participants are deliberately selected according to predetermined criteria that are pertinent to the study objectives. Four prominent private insurance companies that are operational in Zambia were selected as the sample due to their substantial market presence. Purposive sampling facilitates a focused methodology, ensuring that the entities chosen are representative of significant participants in the health insurance industry in Zambia. The utilisation of this approach is deemed appropriate for the study's focus on financial analysis, given that it facilitates the gathering of pertinent and significant data from entities that hold significant influence over the operations of private insurance in Zambia.

3.8 DATA COLLECTION

The data collection method employed in this thesis is all-encompassing, incorporating a blend of quantitative and qualitative techniques. Primary quantitative data was obtained through the analysis of financial statements of four selected private insurance companies in Zambia, focusing on key financial ratios. The numerical insights provided by this quantitative analysis pertain to the financial health and performance of the selected entities.

Furthermore, qualitative data was acquired via an exhaustive examination of pertinent scholarly works, encompassing market surveys, financial reports, and other published materials. By conducting this qualitative investigation, a deep understanding of the Zambian health insurance market and the regulatory landscape within which these entities function was obtained.

By incorporating both quantitative and qualitative data collection techniques, a thorough examination of the financial dynamics in the private insurance industry is achieved.

3.9 DATA ANALYSIS

In assessing the impact of NHIMA's introduction on the four insurance companies' revenues, a quantitative analysis of their financial statements was conducted. This analysis involved the calculation and comparison of key financial ratios, such as revenue growth rates, profitability margins, and liquidity ratios, both pre- and post-implementation of NHIMA. Statistical methods, such as trend analysis and comparative analysis were applied.

In assessing NHIMA's impact on the market share of the four insurance companies, quantitative methods were employed to evaluate changes in market share over time for the selected companies. Market share was calculated based on. Comparative analysis was used to identify any significant correlation between the implementation of NHIMA and shifts in market share among the private insurance companies.

Objective 3: Identify the opportunities and challenges confronting the four private insurance companies in the context of the NHIMA.

In identifying opportunities and challenges confronting the four insurance companies, A SWOT analysis was done. Data was obtained from the literature review, financial statements and industry reports. This analysis provided an understanding of

contextual factors influencing the companies' operations, exploring both opportunities for growth and challenges posed by the implementation of NHIMA.

3.10 ETHICAL CONSIDERATIONS

Ensuring the ethical integrity of this study is crucial. The study strictly adhered to ethical guidelines and principles to safeguard the rights and well-being of all involved parties. The study maintained transparency in its reporting, accurately and impartially presenting its findings.

CHAPTER FOUR: PRESENTATION AND ANALYSIS OF RESULTS

4.1 INTRODUCTION

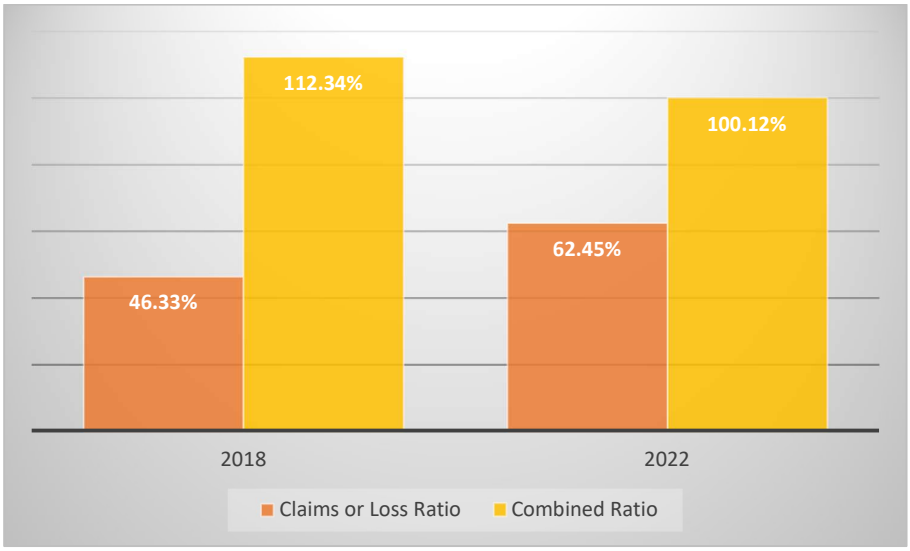
Within this section, we thoroughly examine the results of our investigation and meticulously analyze the data that has been obtained. The objective is to analyze the impact of NHIMA on the financial, market share, and operational aspects of private insurance companies in Zambia. This will be done by combining statistical data and qualitative observations. Each study goal functions as a perspective through which we analyze the consequences of the national health insurance scheme on the financial aspects of private insurance within the Zambian setting.

4.2 MARKET OVERVIEW – 2018 Vs. 2022

UTILISATION

In the realm of financial assessment within the private insurance sector, the term "Utilization" is intricately tied to specific ratios that shed light on the efficient deployment of resources. In our investigation, we focus on key ratios that signify the optimal utilization of premiums and operational expenses. Two prominent indicators, the Claims or Loss Ratio and the Combined Ratio, serve as metrics to gauge the judicious use of financial resources. As we explore these ratios, we aim to unravel insights into how effectively premiums are allocated to cover claims and losses, as well as the overall efficiency in managing expenses and commissions. This section delves into the realm of utilization ratios, providing a detailed analysis of their implications on the financial dynamics of private insurance companies in Zambia.

Figure 2: Market Utilization – 2018 Vs. 2022



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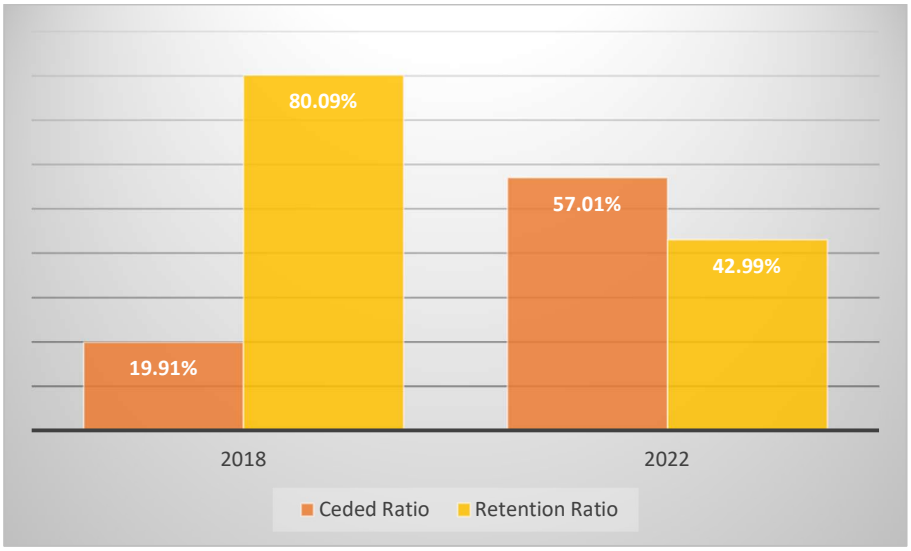
The Claims or Loss Ratio increased significantly from 46.33% in 2018 to 62.45% in 2022, indicating a higher proportion of premiums utilized to cover claims and losses. The Combined Ratio, which includes expenses and commissions, improved from 112.34% in 2018 to 100.12% in 2022. This suggests better efficiency in managing claims, expenses, and commissions.

RETENTION

In the examination of financial strategies within the private insurance landscape, the concept of "Retention" takes center stage, manifested through key ratios that illuminate risk management practices. Our attention is drawn to the Retention Ratio and the Ceded Ratio, pivotal indicators reflecting the extent to which an insurance company retains or transfers risk to reinsurers. Private insurance companies in Zambia have their risk profiles and financial dynamics examined in depth in this section, which delves deeply into the complexities of retention ratios.

Figure 3: Market Retention – 2018 Vs. 2022



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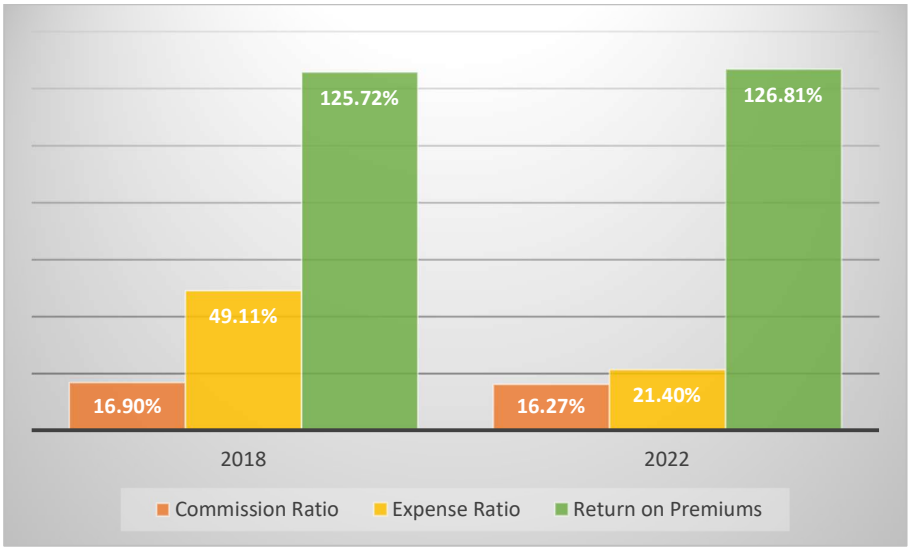
The Retention Ratio decreased from 80.09% in 2018 to 42.99% in 2022, indicating a shift towards ceding a higher percentage of risk to reinsurers.

The Ceded Ratio increased significantly from 19.91% in 2018 to 57.01% in 2022, signifying a greater reliance on reinsurance to manage risk.

REVENUE

By analyzing revenue-related ratios, one can gain insights into the operational efficiency and profit margins of private insurance organizations, which are complex in terms of their financial aspects. This section analyzes revenue-focused measures, providing insights into the financial tactics utilized by private insurance organizations in Zambia and their impact on overall fiscal well-being and long-term viability.

Figure 4: Market Revenue – 2018 Vs. 2022



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The Commission Ratio remained relatively stable, showing a slight decrease from 16.90% in 2018 to 16.27% in 2022.

The Expense Ratio decreased significantly from 49.11% in 2018 to 21.40% in 2022, indicating improved operational efficiency.

The Return on Premiums remained relatively consistent, showcasing a stable profit margin on earned premiums.

The market overview reveals a notable increase in claims utilization, leading to a more efficient combined ratio. The shift towards higher risk transfer is evident in the decreased retention ratio and increased ceded ratio. Despite these changes, the industry maintained stable commission ratios and consistent returns on premiums. The substantial improvement in expense ratio indicates a positive trend in cost management, contributing to enhanced revenue performance over the period.

4.3 UTILISATION

This section analyses the utilization of the four private insurance companies from 2017 to 2022.

Figure 5: Claims / Loss Ratios – 2017 to 2022

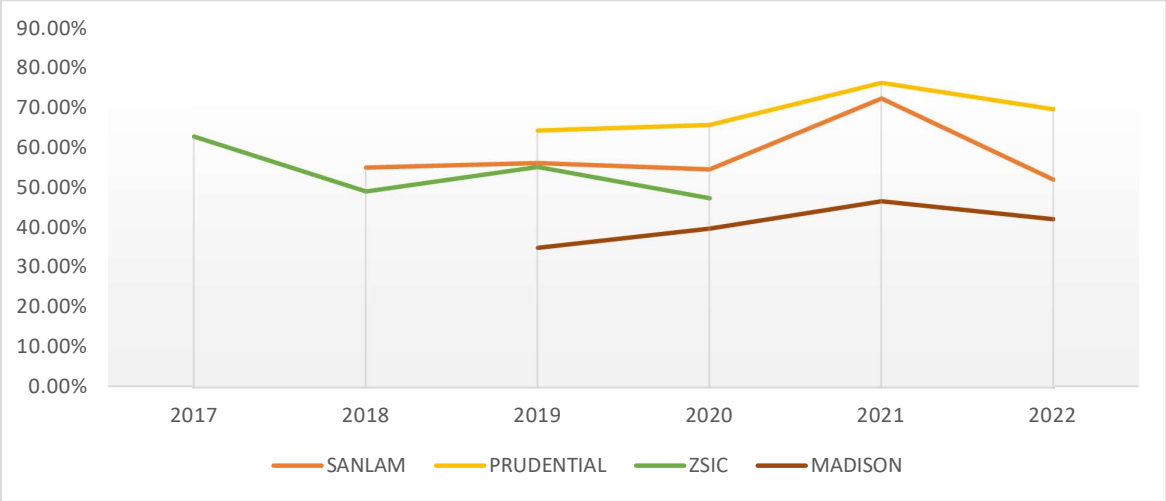

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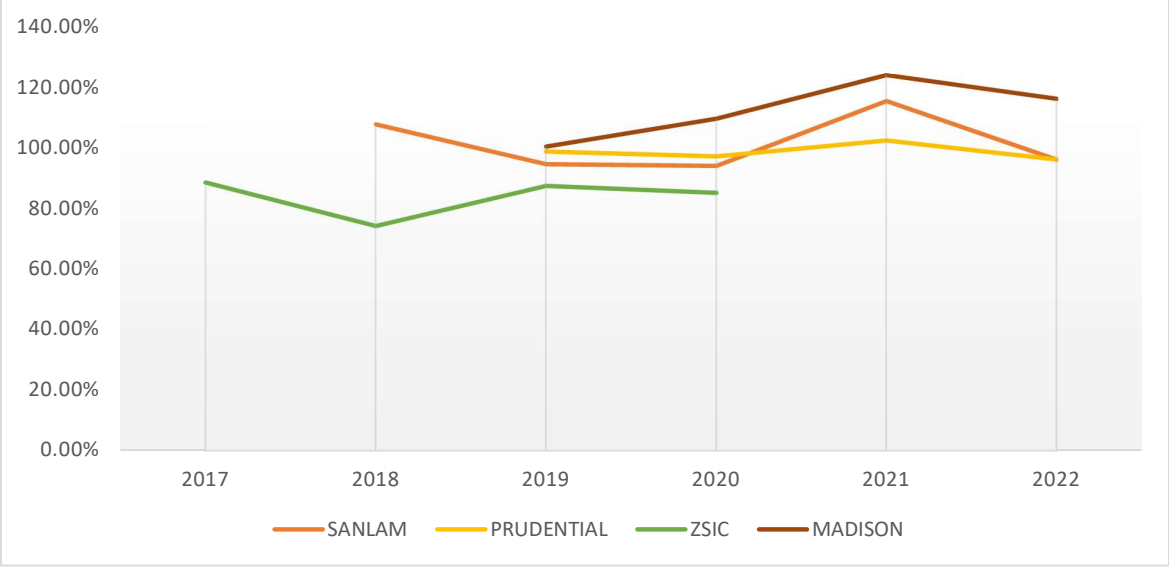
Figure 6: Combined Ratios – 2017 to 2022



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4.3.1 SANLAM

Claims Ratios:

- Varied over the years, with a notable increase in 2021.

- 2022 showed a substantial decrease, indicating potential improvements in claims management.

Combined Ratios:

- Fluctuated but generally remained below 100%, suggesting overall profitability.

- The increase in 2021 may be attributed to a combination of higher claims and operational expenses.

Sanlam's Claims Ratios experienced variations, with a notable spike in 2021 followed by a substantial decrease in 2022. The Combined Ratios, while fluctuating, generally remained below 100%, indicating a profitability focus. The increase in 2021 may be attributed to a combination of higher claims and operational expenses.

4.3.2 PRUDENTIAL

Claims Ratios:

- Experienced a consistent increase from 2019 to 2021 before a slight decrease in 2022.

- Suggests challenges in managing claims efficiently, impacting the utilization of premiums.

Combined Ratios:

- Reflect a similar increasing trend, indicating a potential strain on overall financial performance.

- The decrease in 2022 is positive but still requires monitoring for sustained improvement.

Prudential faced challenges in claims management, as reflected in consistently increasing Claims and Combined Ratios from 2019 to 2021. The slight decrease in 2022 signals a potential improvement, although sustained monitoring is essential for continued progress.

4.3.3 ZSIC LIFE

Claims Ratios:

- Demonstrated a decreasing trend, suggesting better efficiency in managing claims over the years.

- 2021 and 2022 data is not provided, making it challenging to assess recent performance.

Combined Ratios:

- Generally declined, showcasing improved overall efficiency and profitability.

- The absence of 2021 and 2022 data limits a comprehensive analysis of recent performance.

ZSIC demonstrated a decreasing trend in Claims and Combined Ratios, showcasing improved efficiency in managing claims and overall profitability. However, the absence of 2021 and 2022 data hinders a comprehensive understanding of recent performance.

4.3.4 MADISON LIFE

Claims Ratios:

- Fluctuated over the years but generally remained within a manageable range.

- 2020 saw a significant increase, requiring further investigation into the cause.

Combined Ratios:

- Varied, reaching a peak in 2020 before a slight decrease in 2021.

- Indicates challenges in managing expenses and claims in 2020, followed by a potential recovery in 2021.

Madison's Claims Ratios fluctuated but generally remained within manageable ranges. The notable increase in 2020 requires further investigation. Combined Ratios varied, reaching a peak in 2020 before a slight decrease in 2021, indicating challenges in managing expenses and claims in 2020, with a potential recovery in 2021.

4.4 RETENTION

This analysis explores the performance patterns of the four prominent insurance from 2017 to 2022. The goal of this study is to find the trends in these ratios so that we can learn more about each company's risk tolerance, strategic choices, and

general financial stability. The observed variations highlight the intricate nature of the insurance sector and emphasize the need for ongoing surveillance and strategic adjustment in this ever-changing industry.

Figure 7: Retention Ratios – 2017 to 2022

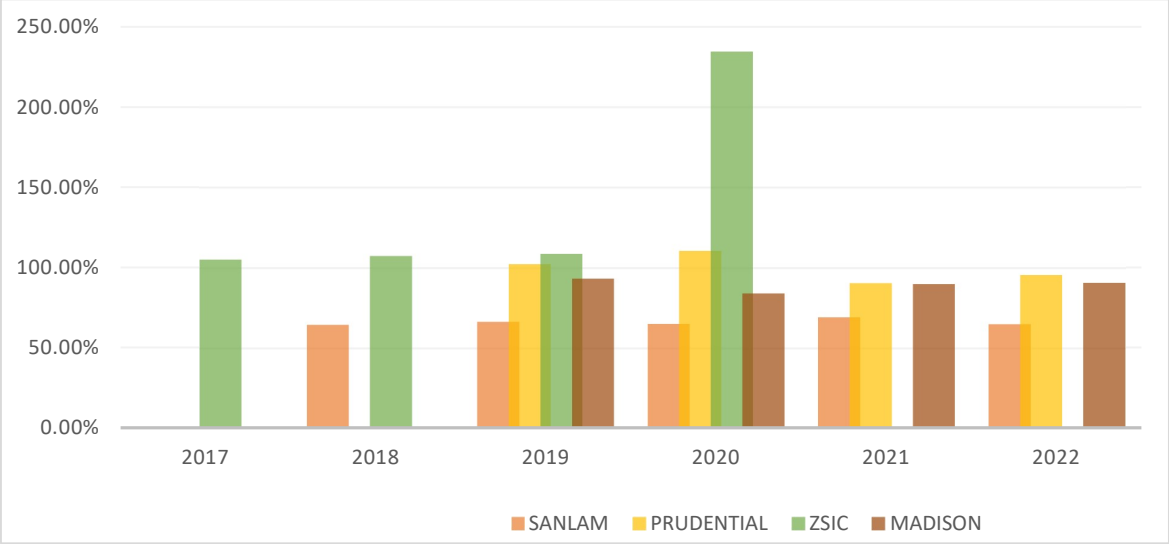

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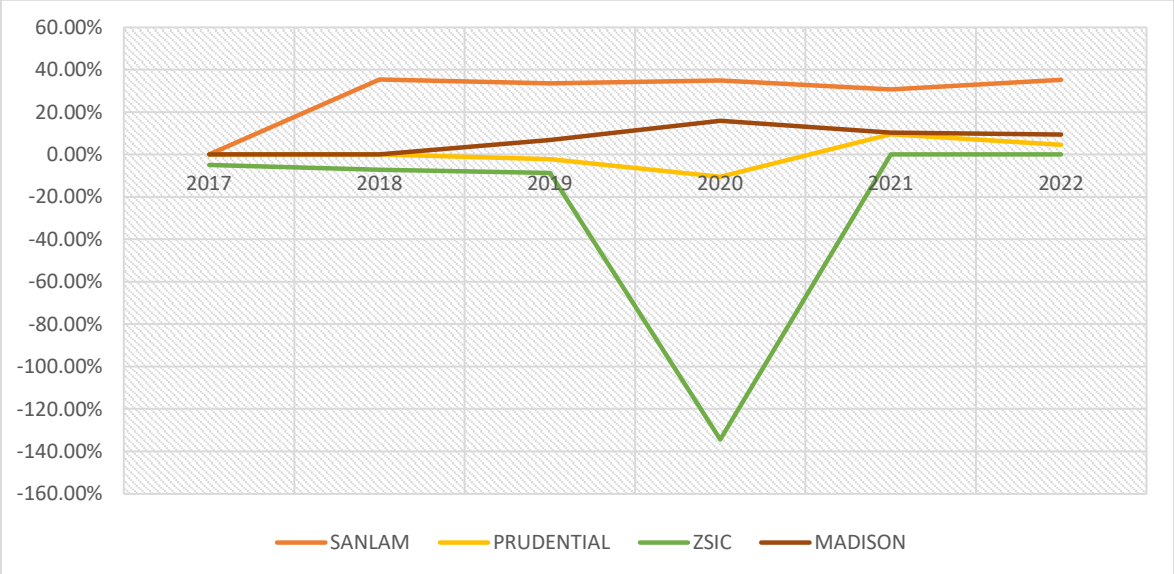
Figure 8: Ceded Ratios – 2017 to 2022



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4.4.1 SANLAM

Retention Ratios:

- Generally stable, with a slight decrease in 2021 and a subsequent increase in 2022.

- Indicates Sanlam's ability to retain a consistent portion of premiums.

Ceded Ratios:

- Demonstrates a proportional decrease in ceded ratios in 2021, aligning with the decrease in retention.

- The increase in 2022 suggests a shift towards ceding a higher percentage of premiums.

Sanlam's Retention Ratios exhibit consistent stability, with a nuanced decline in 2021 and a subsequent rebound in 2022. The Ceded Ratios reveal a proportional decrease in 2021, suggesting a strategic shift in ceding practices.

4.4.2 PRUDENTIAL

Retention Ratios:

- Varied significantly, experiencing an increase in 2018 and 2019, followed by a notable decrease in 2020 and a subsequent increase in 2021.

- 2022 shows a decrease, indicating challenges in retaining premiums.

Ceded Ratios:

- Experienced fluctuations, including negative ratios in 2018 and 2019, suggesting potential issues in ceding more than written premiums.

- Positive ceded ratios in 2021 and 2022 indicate retaining more than written premiums.

Prudential's Retention Ratios showcase significant fluctuations, indicating shifts in their approach to premium retention. Meanwhile, the Ceded Ratios reflect a practice of retaining more than written premiums in 2021 and 2022, suggesting a unique risk management strategy.

4.4.3 ZSIC LIFE

Retention Ratios:

- Initially high, then experienced a significant increase in 2020 and an astronomical spike in 2021.

- The absence of 2022 data limits a comprehensive analysis.

Ceded Ratios:

- Displayed negative ratios, suggesting potential anomalies or errors in reporting.

- Further investigation is crucial to understand and rectify the unusual negative ceded ratios.

ZSIC's Retention Ratios initially displayed high levels, followed by a substantial increase in 2020 and an unprecedented spike in 2021. However, the absence of 2022 data poses challenges in providing a comprehensive analysis. The negative Ceded Ratios warrant thorough investigation for data accuracy and potential anomalies.

4.4.4 MADISON LIFE

Retention Ratios:

- Generally stable with slight variations, reflecting a consistent ability to retain premiums.

- The decrease in 2018 and subsequent increase in 2019 may warrant further investigation.

Ceded Ratios:

- Fluctuated but generally remained positive, indicating a practice of ceding a portion of premiums.

- The increase in 2018 may be attributed to a strategic shift in ceding practices.

Madison's Retention Ratios remained generally stable, with slight variations. The Ceded Ratios consistently remained positive, signifying a balanced risk management approach over the years.

4.5 REVENUE

From 2017 to 2022, this study examines the four insurance companies' commission ratios, expenditures, and return on premiums.

Figure 9: Commission Ratios – 2017 to 2022

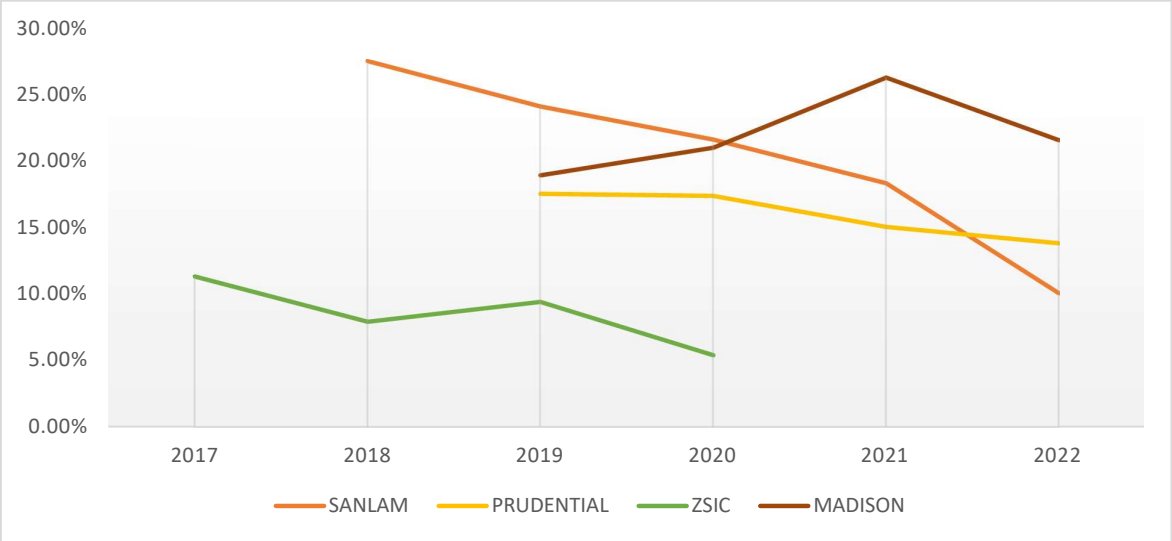

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Figure 10: Expense Ratios – 2017 to 2022

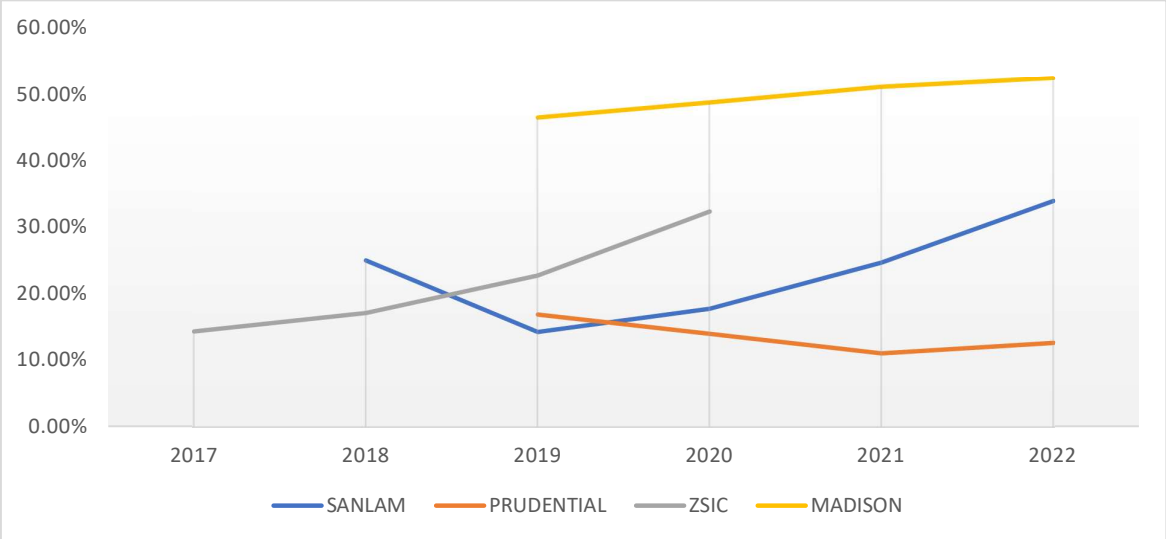

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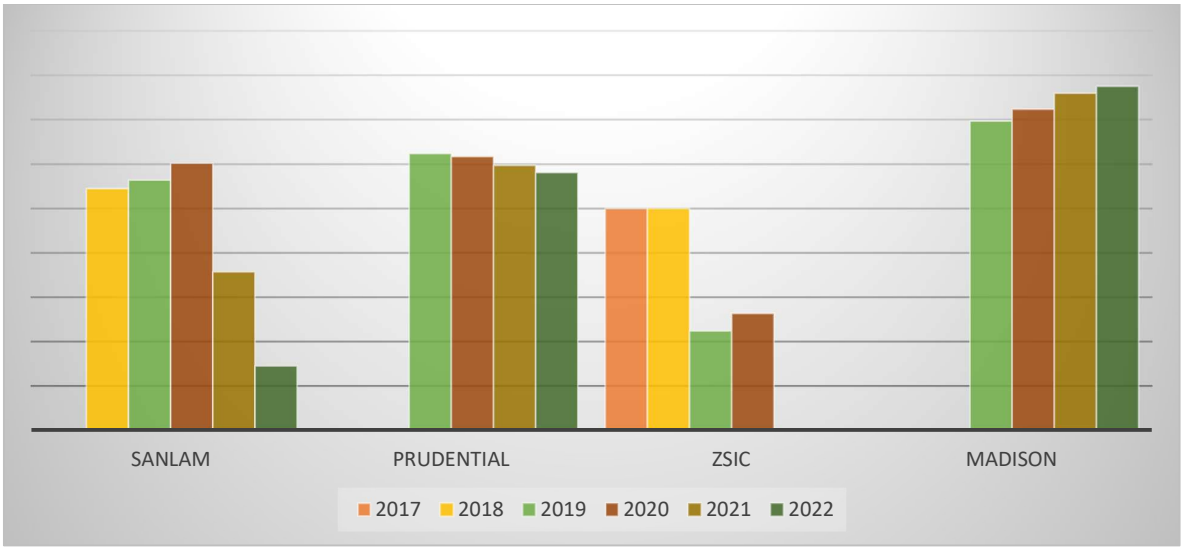
Figure 11: Return on Premiums – 2017 to 2022



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4.5.1 SANLAM

Commission:

- Exhibited a consistent decline from 27.52% in 2017 to 10.06% in 2022.

- Suggests a strategic shift in commission structures or increased operational efficiency.

Expenses:

- Experienced fluctuations, with a notable increase in 2021 and 2022.

- The increase may indicate rising operational costs, requiring further investigation.

Return on Premiums:

- Showed a decreasing trend, reaching 29.05% in 2022.

- Indicates potential challenges in generating profits relative to premiums earned.

Sanlam's financial trajectory reveals a consistent downward trend in commission ratios, indicating potential adjustments in commission structures or heightened

operational efficiency. However, a surge in expenses in 2021 and 2022 raises queries about escalating operational costs. The diminishing trend in return on premiums implies challenges in maintaining historical levels of profitability, urging a closer examination of Sanlam's revenue-generating strategies.

4.5.2 PRUDENTIAL

Commission:

- Declined from 17.54% in 2017 to 13.82% in 2022, showcasing a steady decrease.

- Indicates potential adjustments in commission structures or improved operational efficiency.

Expenses:

- Displayed a decreasing trend, reaching 12.64% in 2022.

- Suggests effective cost management practices.

Return on Premiums:

- Remained relatively stable, indicating consistent profitability over the years.

Prudential displays a steady decrease in commission ratios, signaling potential adaptations in commission structures or improved operational efficiency. The decreasing trend in expenses suggests effective cost management practices, contributing to a stable return on premiums. Prudential's financial stability is underscored by its ability to maintain revenue and profitability over the analyzed period.

4.5.3 ZSIC LIFE

Commission:

- Declined from 11.32% in 2017 to 5.40% in 2022.

- Suggests a strategic shift in commission structures or enhanced efficiency.

Expenses:

- Exhibited fluctuations, with a significant increase in 2022.

- The increase warrants further investigation into rising operational costs.

Return on Premiums:

- Initially consistent but experienced a notable drop in 2022.

- Indicates potential challenges in maintaining historical levels of profitability.

ZSIC experiences a notable decline in commission ratios, indicating strategic shifts or increased operational efficiency. However, the significant increase in expenses in 2022 prompts a detailed investigation into rising operational costs. The drop in return on premiums suggests challenges in sustaining historical revenue and profitability levels, demanding a thorough reassessment of ZSIC's revenue-generating strategies.

4.5.4 MADISON LIFE

Commission:

- Fluctuated but generally increased from 18.93% in 2017 to 26.28% in 2019 before a decrease in 2022.

- Suggests changes in commission structures or a strategic focus on revenue generation.

Expenses:

- Showed an increasing trend over the years, reaching 52.40% in 2022.

- Indicates potential challenges in managing operational costs.

Return on Premiums:

- Remained relatively stable, reflecting consistent profitability over the years.

Madison exhibits fluctuations in commission ratios, with a notable increase until 2019 and a subsequent decrease in 2022. The increasing trend in expenses highlights challenges in managing operational costs, while the stable return on premiums reflects consistent revenue and profitability. Madison's financial trajectory emphasizes the importance of adapting revenue strategies to evolving market dynamics.

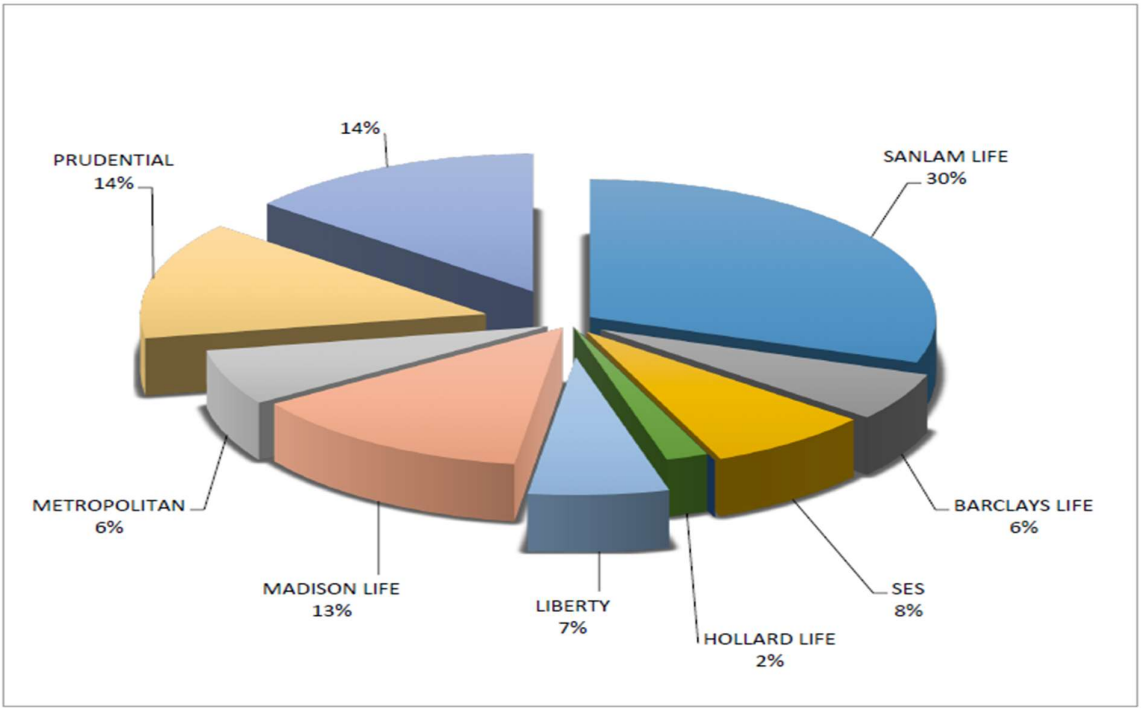
4.6 MARKET SHARE – 2018 Vs. 2021

Market share statistics as provided by the Pensions and Insurance Authority exclude data for 2017 and 2022. Hence, provided data from 2018 and 2022 was used.

4.6.1 2018 MARKET SHARE

In 2018, Sanlam Life held the largest share of the long-term insurance (Gross Written Premiums) market with 30 percent, followed by ZSIC Life and Prudential Life, each with 14 percent. As opposed to 78 percent in 2017, the four largest long-term insurers controlled 71 percent of the Gross Written Premiums market in 2018.

Figure 12: 2018 Market Share

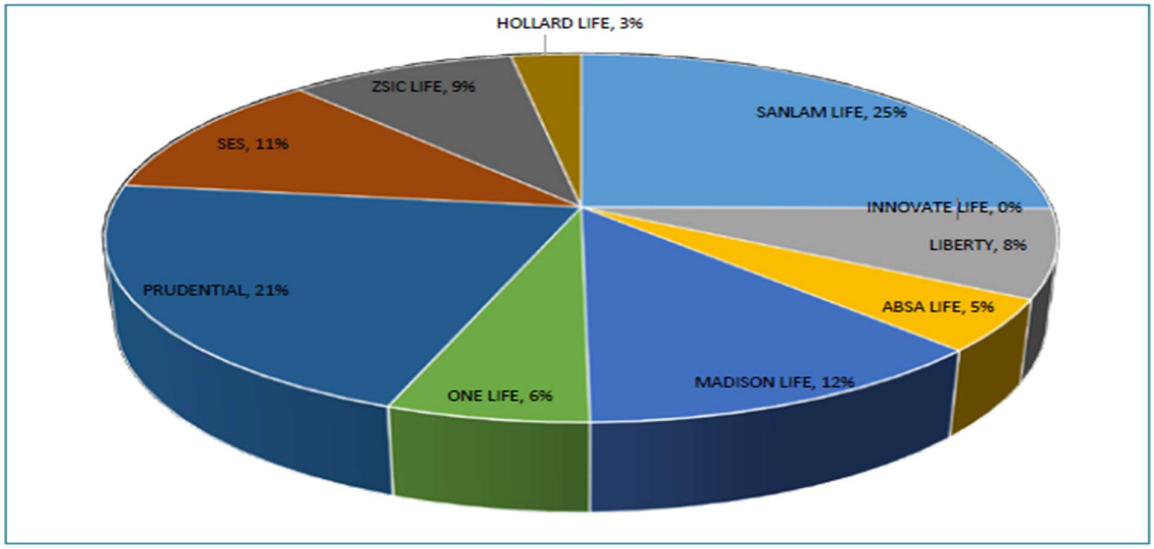


Source: Pensions and Insurance Authority 2018 Industry Report

4.6.2 2021 MARKET SHARE

An examination of the long-term insurance market share during the specified period indicated that Sanlam Life held the largest share with 25 percent. In subsequent place were Prudential Life and Madison Life, each with 21 percent, Specialty Emergency Services, 11 percent, and ZSIC Life, 9 percent. In 2021, seventy percent of the GWP market was occupied by the four main long-term insurers (2020:73 percent).

Figure 13: 2021 Market Share



Source: Pensions and Insurance Authority 2021 Industry Report

4.5 OPPORTUNITIES AND CHALLENGES – NHIMA INTRODUCTION

4.5.1 OPPORTUNITIES

MARKET EXPANSION

The introduction of NHIMA may lead to an expanded market as more individuals seek supplementary health coverage beyond the basic services provided by the national scheme. Private insurers can tap into this demand by offering additional services and coverage options.

PRODUCT DIVERSIFICATION

Private insurance companies have an opportunity to diversify their product offerings to cater to specific needs not covered by the national scheme. Tailoring insurance products to address unique healthcare needs or offering specialized coverage can attract a niche market.

COLLABORATION WITH NHIMA

Establishing collaborative partnerships with NHIMA can be beneficial. Private insurers can collaborate with the national authority to develop complementary insurance products, providing enhanced coverage and benefits to individuals covered by the national scheme.

INNOVATION IN SERVICES

Private insurers can leverage technology and innovation to enhance their services. This may include the introduction of telemedicine, wellness programs, and digital platforms to improve customer experience and accessibility.

RISK MANAGEMENT STRATEGIES

Developing effective risk management strategies will be crucial. Private insurers can assess the risks associated with the introduction of NHIMA, such as changes in market dynamics and regulatory frameworks, and tailor their operations accordingly.

4.5.2 CHALLENGES

INCREASED COMPETITION

The entry of NHIMA may intensify competition, as individuals may opt for the national scheme solely over private insurance. Private insurers need to differentiate themselves by offering unique and value-added services to retain and attract customers.

REGULATORY COMPLIANCE

Private insurers will need to navigate and comply with evolving regulatory frameworks. Adapting to changes in laws and regulations introduced by NHIMA may pose challenges and require adjustments in business practices.

AFFORDABILITY CONCERNS

Affordability remains a challenge, especially since NHIMA provides comprehensive coverage at lower costs. Private insurers may need to justify their pricing structures and demonstrate added value to justify premium costs.

INTEGRATION WITH NHIMA SYSTEMS

Collaborating with NHIMA may require private insurers to integrate their systems with those of the national authority. This can be technically challenging and may necessitate significant investment in technology and infrastructure.

CHANGING CONSUMER PERCEPTIONS

Private insurers may face the challenge of changing consumer perceptions about the need for private insurance when a national scheme is in place. Convincing individuals of the added benefits and tailored services offered by private insurers will be crucial.

ADAPTATION TO NHIMA POLICIES

Private insurers must adapt to NHIMA policies and guidelines. This includes aligning their coverage offerings with the standardized benefits provided by the national scheme, which may limit the scope for customization.

In navigating these opportunities and challenges, private insurance companies should remain agile, innovative, and customer-focused to stay competitive in a changing healthcare landscape.

CHAPTER FIVE: DISCUSSION OF FINDINGS

The examination of the three hypotheses concerning the impact of the National Health Insurance Management Authority on Zambian private insurance businesses provides a greater understanding of the sector dynamics.

5.1 REVENUES HAVE A SIGNIFICANT NEGATIVE CORRELATION

Sanlam and ZSIC demonstrate favorable utilization trends, with varying but generally manageable Claims and Combined Ratios. Prudential shows challenges in claims management, as evidenced by increasing ratios over the years. Madison experienced fluctuations, emphasizing the importance of identifying and addressing factors influencing claims and expenses. However, absence of 2021 and 2022 data for ZSIC and Madison limits a comprehensive understanding of their recent utilization trends.

Retention Ratios highlight companies' abilities to retain premiums, with variations indicating shifts in strategic approaches. Prudential's significant fluctuations in both retention and ceded ratios require detailed examination to identify contributing factors. ZSIC's anomalous increase in retention in 2021 and negative ceded ratios necessitate thorough investigation for data accuracy and potential anomalies. Madison's consistent positive ceded ratios indicate a balanced approach to risk management.

All companies experienced a decline in commission ratios, indicating potential industry-wide adjustments. Fluctuations in expenses highlight the challenges companies face in managing operational costs. Return on Premiums trends vary, with some companies facing challenges in maintaining historical profitability levels.

While the Claims or Loss Ratio grew dramatically from 46.33% in 2018 to 62.45% in 2022, indicating a greater proportion of premiums being used for claims, other financial indicators suggested a more complicated picture. The Combined Ratio improved significantly from 112.34% in 2018 to 100.12% in 2022. This implies that private insurance businesses have become more efficient in terms of handling not only claims but also operational expenses and commissions. The Retention Ratio fell from 80.09% in 2018 to 42.99% in 2022, reflecting a shift toward reinsurers taking on a greater amount of risk. The Ceded Ratio rose from 19.91% in 2018 to 57.01% in 2022, indicating a higher reliance on reinsurance to manage risk.

The Commission Ratio has been reasonably constant, falling from 16.90% in 2018 to 16.27% in 2022. This consistency in commission percentages suggests a more

systematic approach to commission structures or an increase in operational efficiency. However, the Expense Ratio fell dramatically from 49.11% in 2018 to 21.40% in 2022, indicating better operational efficiency.

The Return on Premiums remained generally stable, demonstrating a stable profit margin on earned premiums. The multifarious changes in financial ratios suggest that NHIMA's influence on revenue is not completely negative. Private insurance businesses have responded by improving efficiency in claim management and operational costs, resulting in more balanced financial performance.

5.2 MARKET SHARE DECLINE

The examination of market share trends from 2018 to 2021 did not decisively confirm the notion of the four private insurance providers losing market share. While Sanlam remained dominant, Madison and Prudential made inroads, indicating a shifting picture. Sanlam's market share shrank, although it remained a significant participant. The dynamics of market share are impacted by factors other than NHIMA, such as firm strategies, market competition, and changing customer preferences.

The healthcare insurance market is dynamic, and variations in market share reflect private insurance carriers' adaptation and competitiveness. The increased market share of Madison and Prudential implies successful techniques in managing the shifting terrain, and it undermines the concept of a uniform drop in market share across the industry.

The most notable limitation is the absence of data for the year 2022. Without access to the industry report for this year, the analysis is constrained in providing a complete and up-to-date picture of market dynamics. The healthcare insurance landscape is subject to continual changes, and the exclusion of 2022 data limits the ability to capture recent developments, emerging trends, and the full impact of any ongoing regulatory changes.

The analysis also does not explicitly consider the potential loss of market share to the NHIMA. NHIMA's introduction likely had a significant impact on the health insurance landscape, potentially altering the competitive dynamics and redistributing market share. The absence of specific data on how NHIMA influenced market share hinders a comprehensive understanding of the overall market dynamics.

External factors and variables not explicitly addressed in the available data may also play a crucial role in shaping market dynamics. Consumer behaviour, macroeconomic trends, and unforeseen events can influence market share trends. The lack of detailed information on these variables limits the depth of the analysis.

5.3 UNKNOWN PARAMETER INFLUENCING FINANCIAL PERFORMANCE

The investigation provides insights into individual organizations' financial performance, suggesting that the impact of NHIMA is not consistent. Financial indicators reflect each company's individual response to the changing healthcare industry and regulatory environment.

Sanlam: The significant fall in commission ratios and increase in expenses in 2021 and 2022 merit additional examination. Sanlam's financial trend shows that commission arrangements may need to be adjusted or operational issues addressed.

Prudential: Claims management challenges are clear, but the decline in Claims Ratios in 2022 is a promising indicator. Prudential's ability to preserve revenue and profitability demonstrates its financial soundness, however continued improvement will necessitate caution.

ZSIC Life: The declining trend in Claims and Combined Ratios suggests better efficiency, but the lack of data for 2021 and 2022 prevents a thorough examination. ZSIC's financial performance indicates adaptability, although current developments need to be investigated further.

Madison: Variations in commission ratios and a significant increase in expenses in 2022 highlight the importance of flexible revenue methods and cost control. Madison's financial history emphasizes the significance of fixing operational issues to achieve long-term success.

5.4 RESILIENCE AND ADAPTABILITY OF THE INDUSTRY

The analysis emphasizes Zambia's private insurance industry's durability and adaptability. Companies have handled obstacles by adapting their operating methods, managing expenses, and developing to meet changing market dynamics, rather than having a uniform negative impact. The healthcare insurance landscape is complex, and successful businesses exhibit the capacity to respond to problems strategically.

5.5 OVERALL IMPRESSION

Utilizing a mix of quantitative and qualitative methods, we examined four major health insurance companies from 2017 to 2022. Our analysis, addressing objectives like NHIMA's impact on financials and market dynamics, revealed notable trends.

Notably, revenues exhibit a significant negative correlation, with the Claims or Loss Ratio surging but the Combined Ratio improving, suggesting enhanced efficiency in managing claims and operational expenses. The decline in the Retention Ratio and rise in the Ceded Ratio signal a shift towards increased reliance on reinsurers. Commission Ratios remain stable, reflecting systematic approaches, while a dramatic decrease in Expense Ratios indicates improved operational efficiency. The stable Return on Premiums demonstrates a consistent profit margin. Market share trends reveal a nuanced picture, challenging the notion of uniform decline, with varying strategies evident. Limitations include the absence of 2022 data and the complex influence of external factors. The investigation into individual organizations suggests the industry's overall resilience and adaptability, showcasing strategic responses to challenges for long-term success.

These findings provide a view of the evolving private insurance landscape in Zambia.

CHAPTER SIX: CONCLUSIONS AND RECOMMENDATIONS

6.1 INTRODUCTION

This section offers conclusive insights drawn from the empirical findings and outlines strategic recommendations aimed at fostering the resilience and sustainability of private health insurance companies in Zambia.

6.2 CONCLUSION

Several major findings and limits emerge from evaluating the market share trends of private insurance carriers in Zambia from 2017 to 2022. The data reveals an unusual story, with Sanlam maintaining dominance as Madison and Prudential make inroads, casting doubt on the industry's uniform loss in market share. The approach, however, is constrained by significant limitations that limit the depth of our understanding.

The absence of the 2022 industry report is the most significant constraint, as it prevents a real-time assessment of market developments. The healthcare insurance industry is ever-changing, responding to regulatory changes, shifting consumer preferences, and unexpected events. The absence of data for 2022 hinders our capacity to adequately reflect these recent developments.

Furthermore, the impact of NHIMA on market share is not expressly considered in the analysis. The implementation of NHIMA was a revolutionary force that changed the competitive landscape and redistributed market share. A thorough examination of NHIMA's impact is required for a thorough comprehension of market dynamics.

Despite these constraints, the study emphasizes private insurers' flexibility and competitiveness. The growing market share of Madison and Prudential defies the concept of a uniform decline and demonstrates the sector's ability to navigate change. However, the market's intricacies, which are influenced by external forces and unknown variables, necessitate a cautious interpretation of the findings.

Moving forward, future study efforts should prioritize gathering yearly industry reports, conducting a full assessment of NHIMA's impact, and including qualitative data to reflect the complicated variables affecting market dynamics. By overcoming these constraints, academics can contribute to a more comprehensive knowledge of Zambia's expanding private insurance environment.

To summarize, the Zambian private insurance system is experiencing change, and careful assessment of data limitations is critical for informed decision-making. The

industry's resilience and adaptability will be critical in setting its trajectory in the face of regulatory changes and volatile market dynamics.

6.3 RECOMMENDATIONS FOR FURTHER STUDY

Further investigation into the intersection of health insurance dynamics and national health schemes may reveal a number of fruitful avenues for future study. Following are some recommendations for future study.

6.3.1 LONGITUDINAL EXAMINATION

To examine the enduring effects of NHIMA policies on the revenues of private insurance companies, it is advisable to undertake a longitudinal analysis spanning a significant duration. Monitoring revenue trends over an extended period would provide a holistic comprehension of the impact that NHIMA initiatives have on financial performance.

6.3.2 QUALITATIVE INVESTIGATION

By employing qualitative research techniques, such as focus groups and interviews, a more comprehensive understanding of the mechanisms by which NHIMA impacts the revenues of private insurance companies can be achieved. Qualitative data has the capacity to enhance the overall analysis by offering context and nuance to quantitative findings.

6.3.3 MICRO-INSURANCE DYNAMICS

Examine the function of micro-insurance providers in relation to national health programs. Gaining insight into the ways in which smaller insurers adjust to circumstances and enhance the accessibility of healthcare can provide a more nuanced evaluation of the health insurance market as a whole.

6.3.4 COMPARATIVE RESEARCH

Undertake comparative analyses encompassing countries or regions that share comparable healthcare systems in order to gain insights into the ways in which NHIMA policy implementation differs and the resulting impact on the revenues of private insurers in various contexts.

6.3.5 CUSTOMER PERSPECTIVES

Examine the viewpoints and experiences of insured individuals concerning the influence of NHIMA on their insurance selections and evaluations of worth. Conducting surveys or organizing focus groups comprising private insurance

consumers could provide valuable insights into the ways in which NHIMA initiatives impact insurance decision-making and levels of satisfaction.

6.3.6 POLICY EVALUATION

Assess particular NHIMA policies or interventions designed to regulate the private insurance industry in order to determine their efficacy and potential unintended repercussions. By analysing the effects of policy measures on the revenues of private insurance companies, evidence-based policy adjustments can be informed.

6.3.7 COLLABORATIVE EFFORTS ACROSS SECTORS

Investigate potential avenues for partnership between the NHIMA and private insurance firms with regards to the development and execution of healthcare financing schemes. Examine public-private partnership models implemented in alternative healthcare systems with the aim of identifying efficacious strategies for collaboration.

6.3.8 TECHNOLOGICAL INNOVATIONS

Examine the influence of digital health innovations on the revenue of private insurance companies in accordance with the regulatory framework of NHIMA. Analyse the adoption and consequences of technology-driven solutions on insurance revenues and operations in order to develop strategies that improve healthcare financing outcomes.

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APPENDIX 1 - RATIO COMPUTATIONS

MARKET

INDUSTRY REPORT EXTRACT

	2018	2022
Acquisition Costs	172,637,631.00	270,411,868.41
Net Premium	1,021,365,093.00	1,662,162,107.83
Claims Incurred	473,220,247.00	1,037,939,196.06
Operational Expenses	501,592,782.00	355,769,443.77
Net Income	1,284,018,222.00	2,107,847,816.34
Gross Written Premium	1,275,228,870.00	3,866,783,238.23

RATIOS

Ratio	Formula	2018	2022
Commission Ratio	Acquisition Costs / Net Premium	16.90%	16.27%
Claims or Loss Ratio	Claims Incurred / Net Premium	46.33%	62.45%
Expense Ratio	Operational Expenses / Net Premium	49.11%	21.40%
Combined Ratio	Expense Ratio + Claims Ratio+ Commision Ratio	112.34%	100.12%
Return on Premiums	Net Income / Net Premiums Earned	125.72%	126.81%
Ceded Ratio	1-Retention Ratio	19.91%	57.01%
Retention Ratio	Net Premium / Gross Written Premium	80.09%	42.99%

SANLAM

FINANCIAL STATEMENT EXTRACT

	2018	2019	2020	2021	2022
Acquisition Costs	68,677,995.00	72,110,995.00	68,449,159.00	40,171,644.00	25,019,738.00
Net Premium	249,526,784.00	299,223,047.00	316,589,366.00	219,039,809.00	248,731,913.00
Claims Incurred	137,372,123.00	168,026,296.00	172,761,517.00	158,364,500.00	129,329,576.00
Operational Expenses	62,427,080.00	42,693,958.00	56,186,087.00	54,094,832.00	84,386,340.00
Net Income	271,791,468.00	337,445,777.00	381,029,324.00	156,578,466.00	72,250,825.00
Gross Written Premium	386,528,116.00	450,464,895.00	486,106,684.00	316,063,626.00	383,761,812.00

RATIOS

R**Ratio**	**Formula**	**2018**	**2019**	**2020**	**2021**	**2022**
Commission Ratio	Acquisition Costs / Net Premium	27.52%	24.10%	21.62%	18.34%	10.06%
Claims or Loss Ratio	Claims Incurred / Net Premium	55.05%	56.15%	54.57%	72.30%	52.00%
Expense Ratio	Operational Expenses / Net Premium	25.02%	14.27%	17.75%	24.70%	33.93%
Combined Ratio	Expense Ratio + Claims Ratio+ Commission Ratio	107.59%	94.52%	93.94%	115.34%	95.98%
Return on Premiums	Net Income / Net Premiums Earned	108.92%	112.77%	120.35%	71.48%	29.05%
Ceded Ratio	1-Retention Ratio	35.44%	33.57%	34.87%	30.70%	35.19%
Retention Ratio	Net Premium / Gross Written Premium	64.56%	66.43%	65.13%	69.30%	64.81%

PRUDENTIAL

FINANCIAL STATEMENT EXTRACT

	2019	2020	2021	2022
Acquisition Costs	43,917,664.00	54,169,566.00	66,969,244.00	79,220,656.00
Net Premium	250,375,674.00	311,785,336.00	445,123,388.00	573,242,962.00
Claims Incurred	160,945,995.00	204,776,540.00	339,255,097.00	398,851,659.00
Operational Expenses	42,268,054.00	43,630,459.00	49,226,716.00	72,436,316.00
Net Income	312,208,611.00	384,717,235.00	531,576,409.00	665,679,403.00
Gross Written Premium	244,767,780.00	282,332,689.00	491,877,226.00	600,567,409.00

RATIOS

Ratio	Formula	2019	2020	2021	2022
Commission Ratio	Acquisition Costs / Net Premium	17.54%	17.37%	15.05%	13.82%
Claims or Loss Ratio	Claims Incurred / Net Premium	64.28%	65.68%	76.22%	69.58%
Expense Ratio	Operational Expenses / Net Premium	16.88%	13.99%	11.06%	12.64%
Combined Ratio	Expense Ratio + Claims Ratio+ Commision Ratio	98.70%	97.05%	102.32%	96.03%
Return on Premiums	Net Income / Net Premiums Earned	124.70%	123.39%	119.42%	116.13%
Ceded Ratio	1-Retention Ratio	-2.29%	-10.43%	9.51%	4.55%
Retention Ratio	Net Premium / Gross Written Premium	102.29%	110.43%	90.49%	95.45%

MADISN LIFE

FINANCIAL STATEMENT EXTRACT

	2019	2020	2021	2022
Acquisition Costs	32,971,606.00	34,448,556.00	52,999,214.00	46,190,075.00
Net Premium	174,185,613.00	164,000,622.00	201,665,552.00	214,079,098.00
Claims Incurred	60,881,903.00	65,228,161.00	93,974,756.00	90,129,972.00
Operational Expenses	80,880,302.00	79,859,441.00	102,906,768.00	112,182,412.00
Net Income	242,838,900.00	237,228,814.00	306,214,137.00	331,748,944.00
Gross Written Premium	187,006,720.00	195,175,767.00	224,581,242.00	236,185,188.00

RATIOS

Ratio	Formula	2019	2020	2021	2022
Commission Ratio	Acquisition Costs / Net Premium	18.93%	21.01%	26.28%	21.58%
Claims or Loss Ratio	Claims Incurred / Net Premium	34.95%	39.77%	46.60%	42.10%
Expense Ratio	Operational Expenses / Net Premium	46.43%	48.69%	51.03%	52.40%
Combined Ratio	Expense Ratio + Claims Ratio+ Commission Ratio	100.31%	109.47%	123.91%	116.08%
Return on Premiums	Net Income / Net Premiums Earned	139.41%	144.65%	151.84%	154.97%
Ceded Ratio	1-Retention Ratio	6.86%	15.97%	10.20%	9.36%
Retention Ratio	Net Premium / Gross Written Premium	93.14%	84.03%	89.80%	90.64%

ZSIC LIFE

FINANCIAL STATEMENT EXTRACT

	2017	2018	2019	2020
Acquisition Costs	14,832,000.00	15,114,000.00	16,654,000.00	16,668,000.00
Net Premium	131,026,000.00	191,024,000.00	177,076,000.00	308,670,000.00
Claims Incurred	82,260,000.00	93,721,000.00	97,670,000.00	146,164,000.00
Operational Expenses	18,805,000.00	32,706,000.00	40,291,000.00	99,817,000.00
Net Income	131,026,000.00	191,024,000.00	79,406,000.00	162,506,000.00
Gross Written Premium	124,821,000.00	178,178,000.00	163,116,000.00	131,666,000.00

RATIOS

Ratio	Formula	2017	2018	2019	2020
Commission Ratio	Acquisition Costs / Net Premium	11.32%	7.91%	9.41%	5.40%
Claims or Loss Ratio	Claims Incurred / Net Premium	62.78%	49.06%	55.16%	47.35%
Expense Ratio	Operational Expenses / Net Premium	14.35%	17.12%	22.75%	32.34%
Combined Ratio	Expense Ratio + Claims Ratio+ Commission Ratio	88.45%	74.10%	87.32%	85.09%
Return on Premiums	Net Income / Net Premiums Earned	100.00%	100.00%	44.84%	52.65%
Ceded Ratio	1-Retention Ratio	-4.97%	-7.21%	-8.56%	-134.43%
Retention Ratio	Net Premium / Gross Written Premium	104.97%	107.21%	108.56%	234.43%

APPENDIX 2 - SIMILARITY REPORT

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APPENDIX 3 - SUBMISSION CHECKLIST

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5TH TO 14TH JANUARY 2024 GBS800 DISSERTATION SUBMISSION

No	Item	Done
1	Were you registered for GBS800 in the JULY-DECEMBER 2023 semester?	**DONE**
2	Has your FINAL DISSERTATION been signed by the supervisor[1]?	**DONE**
3	Have you attached the Turnitin similarity report to the appendix?	**DONE**
4	Is your Turnitin similarity report below 20 percent? Please append the similarity report to your dissertation.	**DONE**
5	Have you submitted a soft copy version of your dissertation to the UNIVERSITY TURNITIN CLASS called "DISSERTATION FINAL SUBMISSION JAN 2024?" See point (3) on the next page for more details.	**DONE**
6	What is your dissertation's total word count (including references and appendices)?	**13,344 WORDS**
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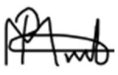
	Signature: 	
	Date: 14/01/2024	