

Kaelo finalises gap cover acquisition with African Unity Health

Transaction to increase Kaelo gap cover policies to more than 275,000 lives across South Africa

Johannesburg, February 2019

Healthcare provider and funder Kaelo has finalised an acquisition of the prominent insurer's African Unity Health's (AUH) gap cover business.

The deal will see the number of lives Kaelo has in its gap cover division increase to over 275,000 people, across 125,000 principal member policies.

AUH was a 100% subsidiary of the African Unity Group, a registered Financial Services Provider and this sale is part of its plans to focus on its core business of long-term insurance, hospital cash plans, family crisis plans and primary health care.

In addition to its gap cover business, Kaelo provides a range of primary healthcare (Medical Insurance) products, a strong clinical network through its subsidiary Prime Cure Health, a market-leading employee and family assistance plan solution, and a comprehensive occupational health service offering, which includes onsite clinics.

The acquisition grows Kaelo's gap cover business significantly and makes the company the second biggest gap cover provider in South Africa, boosting its market share from an estimated 13% to 21%.

According to Johan van Rooyen, chief executive at Kaelo, the decision to acquire the AUH division was driven by Kaelo's long-term business objective to become South Africa's leading gap cover provider and will result in significant growth in its gap cover division.

"While the acquisition makes Kaelo the second biggest brand in the gap cover market, we have strong organic growth plans and projections for the coming 12 months that we believe will propel us to the leading position," Van Rooyen says.

Van Rooyen adds that all relevant AUH gap cover staff have been retained and continue to work from the existing Durban office, ensuring that broker and customer service is uninterrupted, bringing Kaelo's total permanent staff complement to over 200 people nationwide.

The gap cover industry in South Africa is highly fragmented and it is expected that this market consolidation will allow Kaelo to make significant improvements.

Western National Insurance Company Limited will continue to be the underwriter for AUH policies and the product suite will remain unchanged.

"We believe that this deal provides Kaelo significant economies of scale that will enable us to meaningfully increase value to policy holders and improve service levels to the intermediaries who sell our policies" said Van Rooyen.

Gap cover is a relatively new, but fast-growing insurance product class in a market where just over seven million South Africans are members of medical aid schemes. It helps members of existing medical schemes pay hospital related bills that aren't fully covered by their medical aid.

"Kaelo sees significant growth opportunities in the gap cover market as medical scheme costs continue to outpace consumer inflation. Health practitioners routinely charge as much as five times the set medical aid rates, pushing more consumers to downgrade from their existing, expensive medical aid plans and bridge the shortfall through gap cover," concludes van Rooyen.