



ANNEXURE 1

REVISED EXEMPTION CONDITIONS SCHEDULE (EFFECTIVE FROM 31 MARCH 2021)

APPLICABLE TO INSURERS THAT APPLIED FOR EXEMPTION IN TERMS OF SECTION 8 (H) OF THE MEDICAL SCHEMES ACT (ACT NO 131 OF 1998) FROM COMPLIANCE WITH THE PROVISIONS OF SECTION 20(1)

(Replaces Annexure 1 issued in August 2020)

EXEMPTION CONDITIONS IMPOSED JULY 2020				AMENDMENTS TO EXEMPTION CONDITIONS – EFFECTIVE FROM 31 MARCH 2021	
	Exemption condition	Rationale	Due date	Amendment	Due date
1.1.	Outstanding information relating to paragraph 7.2 of the Exemption Renewal Framework:	As per the evaluation of Stage 2 information that was submitted, it was noted that insufficient information relating to the products, number of beneficiaries, product assumptions, etc. were provided. CMS will provide an electronic platform, where the required information will be requested, and applicants will have to submit the information in the manner specified by the Council.	The due date will be communicated by the CMS	The due date is now affected, and submissions should be made before 31 December 2021.	31 December 2021
	Submission of statutory	Submission of quarterly statutory returns	Dates for submission of	Exemption condition 1.1.19	The due date will be

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	Exemption condition	Rationale	Due date	Amendment	Due date
	returns required by the CMS		quarterly information as per the notification by the CMS	linked to condition 1.1	communicated by the CMS
		Submission of quarterly statutory returns	Dates for submission of quarterly information as per the notification by the CMS	Exemption condition 1.1.19 linked to condition 1.1	The due date will be communicated by the CMS
		Submission of quarterly statutory returns	Dates for submission of quarterly information as per the notification by the CMS	Exemption condition 1.1.19 linked to condition 1.1	The due date will be communicated by the CMS
1.2.	Consumer warning and awareness	All products must carry consumer warnings in terms of open enrolment, community rating, and cross-subsidization. Products should not be misleading and should contain the following information to make the public aware that the product is not a medical scheme product: “ This product is not a medical scheme and the required cover (benefits and contributions) are not the same as that of a medical scheme	Immediate and continuous compliance	Condition remains unchanged	Immediate and continuous compliance
1.3.	Honesty, openness and transparency in marketing	Marketing brochures, policies, websites, etc must contain actual healthcare benefits (rand value, number of visits, etc) that policyholders are entitled to and must not be misleading.	Immediate and continuous compliance	Condition remains unchanged	Immediate and continuous compliance
1.4.	Discrimination	Insurers may not discriminate and refuse membership based on race, age, gender, marital status, ethnic or social origin,	Immediate and continuous compliance	Condition remains unchanged	Immediate and continuous compliance

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		sexual orientation, pregnancy, disability, state of health, geographical location, or any other means of discrimination.			
1.5.	Waiting periods	<p>Insurers may not refuse membership due to pre-existing health conditions.</p> <p>Insurers may impose waiting periods in respect of a condition for which medical advice, diagnosis, care, or treatment was recommended or received within the 12 months ending on the date on which an application for membership was made.</p> <p>A general waiting period of up to three (3) months; and/or</p> <p>A twelve (12) month condition-specific exclusion</p>	Immediate and continuous compliance	Condition remains unchanged	Immediate and continuous compliance
1.6.	Comply with the prudential requirements as set out by the Prudential Authority (PA)	Insurers must comply with the prudential requirements as required by the PA which sets out the financial soundness of South African insurers from a regulatory perspective.	Immediate and continuous compliance	Condition remains unchanged	Immediate and continuous compliance
1.7.	Treating Customers Fairly (TCF) principles	As part of the Treating Customers Fairly principles adopted by the financial services industry, the terms of policies, the premiums payable, as well as any restrictions on benefits, must be disclosed to the policyholder when a policy is taken out.	Immediate and continuous compliance	Condition remains unchanged	Immediate and continuous compliance
1.8.	Amendment to exempted products	Should insurers and their respective financial service providers wish to make any amendments in the terms of the policy, product benefits, or option names they are required to first submit any proposed	Immediate and continuous compliance	Condition remains unchanged	Immediate and continuous compliance

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	Exemption condition	Rationale	Due date	Amendment	Due date
		amendments to CMS for approval prior to effecting such changes.			
1.9.	Compliance with the Low-Cost Benefit Option requirements	Insurers and their respective financial service providers should ensure that they avail one representative from their entity or should ensure that they are represented by an insurance association to attend and partake in the CMS Advisory Committees for discussions on the development of the LCBO Guidelines	Immediate and continuous compliance	Condition remains unchanged	Immediate and continuous compliance
1.10.	Binder agreements	Insurers should ensure that they have written binder agreements in place with all entities rendering services to policyholders on their behalf. Despite any terms included in binder agreements, insurers remain liable for any claims relating to exempted products.	Immediate and continuous compliance	Condition remains unchanged	Immediate and continuous compliance
1.11.	Unbundling of insurance products	Insurers should ensure that they unbundle exempted products conducting the business of a medical scheme from other insurance products. Exempted products conducting the business of a medical should accordingly be marketed and sold as a standalone product.	31 March 2021	Exempted entities are required to submit detailed information (including reports) on how it intends to comply with the said condition, as well as how it intends to convert into the medical schemes' environment.	Submission is due by 31 December 2021 for evaluation by the CMS before 31 March 2022
1.12.	Products and options with no active policyholders should be terminated	Products and options with no active policyholders should be terminated and marketing brochures should be accordingly amended.	Immediate and continuous compliance	No amendment required	No amendment required

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	Exemption condition	Rationale	Due date	Amendment	Due date
		The CMS will not approve inactive products and options based on the submissions made in March 2019.			
1.13.	Products and options with less than 100 policyholders	<p>Insurers should ensure that all products with less than 100 policyholders are accompanied by a brief breakdown, showing the self-sustainability and viability of the product.</p> <p>Insurers need to demonstrate that policyholders will be able to enjoy all the benefits of the products entitled to them without any prejudice.</p> <p>Failure to demonstrate the above will result in insurers being directed to move policyholders to existing exempted products/options conducting the business of a medical scheme.</p>	30 September 2020	<p>Due date amended to 31 December 2021.</p> <p>Exempted entities are required to submit detailed information on how it intends to comply with the said condition, as well as how it intends to convert into the medical schemes' environment.</p>	<p>Submission is due by 31 December 2021 for evaluation by the CMS before 31 March 2022</p>
1.14.	Limitation of non-healthcare expenditure	<p>Insurers should ensure that they curb non-healthcare expenditure to provide better healthcare benefits to policyholders.</p>	Immediate and continuous compliance	<p>Due date for submission – 31 December 2021</p> <p>The insurers must demonstrate how non-healthcare expenditure can be decreased in order to ensure that a sufficient portion of the premium can be utilised for healthcare expenditure.</p> <p>Exempted entities are required to submit detailed information on how it intends to</p>	<p>Due date for submission – 31 December 2021</p> <p>(Submission is due by 31 December 2021 for evaluation by the CMS before 31 March 2022).</p>

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				<p>comply with the said condition, as well as how it intends to convert into the medical schemes' environment.</p> <p>(Submission is due by 31 December 2021 for evaluation by the CMS before 31 March 2022).</p>	
1.15.	Broker commission	Broker commission should be aligned to the provisions under the Medical Schemes Act.	31 March 2021	<p>The insurers must demonstrate how it intends to reduce broker commission that will result in a decrease in non-healthcare expenditure.</p> <p>Exempted entities are required to submit detailed information on how it intends to comply with the said condition, as well as how it intends to convert into the medical schemes' environment.</p>	<p>Due date for submission – 31 December 2021</p> <p>(Submission is due by 31 December 2021 for evaluation by the CMS before 31 March 2022).</p>
1.16.	Accreditation of brokers, brokerages and financial services advisors	Insurers should ensure that all brokers, brokerages and financial advisors relating to advice and marketing and selling of exempted products conducting the business of a medical scheme, should be	31 March 2021	Accreditation can only be granted to applicants that will contract with registered medical schemes. Since insurers are	<p>Due date for submission – 31 December 2021</p> <p>(Submission is due by 31 December 2021</p>

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		accredited by the CMS, should these insurers convert to and be registered as medical schemes.		not medical schemes, conversion into the medical schemes' environment should be affected. Insurers must however demonstrate that they / their FSPs will meet the requirements in terms of Regulation 28 of the MS Act.	for evaluation by the CMS before 31 March 2022).
1.17.	Accreditation of administrators	<p>Insurers should ensure that all entities providing administration services to policyholders on exempted products conducting the business of a medical scheme should be accredited by the CMS, should these insurers convert to and be registered as medical schemes. Whilst insurers are still operating under the exemption framework, they should be encouraged to either prepare their respective administrator and managed care functions/providers to comply with the accreditation requirements as per the Act, Regulations and Accreditation Standards.</p> <p>Should insurers wish to continue to make use of the services of unaccredited administrators and managed care organisations, then the said unaccredited entities should provide this Office with</p>	31 January 2021	<p>Accreditation can only be granted to applicants that will contract with registered medical schemes. Since insurers are not medical schemes, conversion into the medical schemes' environment should be affected.</p> <p>Insurers must however demonstrate that they / their FSPs will meet the requirements in terms of Regulation 17 of the MS Act.</p>	<p>Due date for submission – 31 December 2021</p> <p>(Submission is due by 31 December 2021 for evaluation by the CMS before 31 March 2022).</p>

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		<p>written confirmation <u>via the insurer</u> on the extent of compliance with the following information, by close of business, Wednesday, 31 January 2021, to demarcation@medicalschemes.com:</p> <p>Administrators</p> <p>1.1. Level of compliance with the provisions of Regulation 17 - Accreditation of administrators;</p> <p>1.2. Level of compliance with the Requirements for Administration of Medical Schemes (<i>information is available on the CMS website</i>);</p> <p>1.3. Guideline for the preparation of administration agreements in compliance with Regulation 18 and the administration standards (<i>information is available on the CMS website</i>);</p> <p>1.4. Level of compliance with the Third-Party Medical Scheme Administrator Standards (Version 6) (<i>information is available on the CMS website</i>);</p>			

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		<p>The above information can be obtained on the CMS website: https://www.medicalschemes.com/Publications.aspx</p>			
1.18.	Accreditation of managed care organisations	<p>Insurers should ensure that all entities providing administration services to policyholders on exempted products conducting the business of a medical scheme should be accredited by the CMS, should these insurers convert to and be registered as medical schemes. Whilst insurers are still operating under the exemption framework, they should be encouraged to either prepare their respective administrator and managed care functions / providers to comply with the accreditation requirements as per the Act, Regulations and Accreditation Standards.</p> <p>Should insurers wish to continue to make use of the services of unaccredited administrators and managed care organisations, then the said unaccredited entities should provide this Office with written confirmation <u>via the insurer</u> on the extent of compliance with the following information, by close of business, Wednesday, 31 January 2021, to demarcation@medicalschemes.com:</p> <p>Managed Care Organisations</p>	31 January 2021	<p>Accreditation can only be granted to applicants that will contract with registered medical schemes. Since insurers are not medical schemes, conversion into the medical schemes' environment should be affected.</p> <p>Insurers must however demonstrate that they / their FSPs will meet the requirements in terms of Regulation 15 of the MS Act.</p>	<p>Due date for submission – 31 December 2021</p> <p>(Submission is due by 31 December 2021 for evaluation by the CMS before 31 March 2022).</p>

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		<p>1.1. Level of compliance with the provisions of Regulation 15 of the MS Act - Provision of managed health care;</p> <p>1.2. Level of compliance with the Accreditation Standards for Managed Care Organisations, Version 5 (<i>information is available on the CMS website</i>);</p> <p>1.3. Guideline for the preparation of managed care agreements in compliance with Regulations 15 (<i>information is available on the CMS website</i>); and</p> <p>1.4. Level of compliance with the Final Managed Health Care service document (Circular 13 of 2014).</p> <p><i>The above information can be obtained on the CMS website:</i> https://www.medicalschemes.com/Publications.aspx</p>			

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1.19.	Submission of statutory returns required by the CMS	Submission of quarterly statutory returns	Dates for submission of quarterly information as per the notification by the CMS	Condition linked to exemption condition 1.1	
		Submission of audited financial statements and annual financial returns	30 April		
		Submission of annual healthcare utilisation returns as per the CMS guidelines	30 April		

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