



Reference: Update - Insurers conducting the business of a medical scheme
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Circular 16 of 2024: Update Demarcation Exemption Renewal Framework

The Council for Medical Schemes (CMS) would like to inform the industry that, at the direction of the Minister of Health, the Exemption Renewal Framework for insurers conducting the business of a medical scheme has been extended by one year. The new period will now run from **1 April 2024** to **31 March 2025**.

Background

On 23 December 2016, the Minister of Finance with the concurrence of the Minister of Health published the [Demarcation Regulations](#). The Demarcation Regulations provide that certain insurance policies have elements of the business of a medical scheme and are classified as “health policies” and/or “accident and health policies”, whilst excluding primary healthcare products and hospital indemnity products. The Demarcation Regulations became effective on 1 April 2017 and as a result, any provider of primary healthcare products and hospital indemnity products is deemed to be conducting the business of a medical scheme, as defined in terms of section 1 of the Medical Schemes Act (131 of 1998) (MSA).

The CMS, in consultation with the National Department of Health (NDOH), the National Treasury (NT) and the then Financial Services Board engaged and concluded an Exemption Framework. The [Exemption Framework](#) served as a guideline to providers of insurance products that conduct the business of a medical scheme, who wished to apply for exemption in terms of section 8(h) of the MSA, from compliance with the provision of section 20(1). The Exemption Framework was a transitional arrangement whilst the NDOH led the development of a Low-Cost Benefit Option (LCBO) Guideline for medical schemes, valid for two years, from [1 April 2017](#) to 31 March 2019. The exemption framework provided for the protection of existing policyholders on these insurance products which would be affected by the Demarcation Regulations as of 31 March 2017.

Due to delays in the finalisation of the LCBO Guideline, the CMS issued a [Renewal Exemption Framework](#), with the relevant input from the NDOH, NT, Financial Sector Conduct Authority (FSCA), and the Prudential Authority (PA). The Renewal Framework, which sets the same exemption criteria for the insurers conducting the business of a medical scheme, was effective from [1 April 2019](#) to 31 March 2021. However, due to the impact of COVID-19 and the inability to engage stakeholders, the Council extended the exemption period by another year, to [31 March 2022](#).

Considering the establishment of the CMS Advisory Committees as well as the relevant workstreams flowing from the Advisory Committees, the Council, with input from the NDOH, NT, FSCA, and the PA, agreed on the automatic extension of the exemption period by a further two years, from [1 April 2022](#) to 31 March 2024.

Renewal Process: Exemption application 2024

The CMS undertook the responsibility of compiling and structuring the LCBO Report for submission to the Minister. This process involved aggregating all relevant information, supporting data, and analyses into a comprehensive and coherent document. This document was designed to be easily comprehensible and reviewable by the Minister and other stakeholders.

The CMS briefed the Minister of Health and relevant delegates from the NDOH on 22 November 2023 and the LCBO Guideline was handed over for further review and consideration. The NDOH and the CMS issued a joint [press statement](#) on the same day to this effect.

Following this, the Minister of Health proposed the renewal of the exemption for one year, from 1 April 2024 to 31 March 2025, in line with the [Renewal Exemption Framework](#) that has been compiled.

The process for the submission of renewal information by 30 April 2024:

There is a change in the proposed renewal submission process, which will be conducted on the following basis:

- **Phase 1 - Automatic submission via email with the following information by 30 April 2024:**
 - Submission via email to demarcationrenewals@medicalschemes.co.za.
 - Cover letter (Please quote allocated DM number)
 - Confirmation that the Insurer and linked FSP are still registered/licensed with the Financial Service Conduct Authority / Prudential Authority.
 - Confirmation of the current board of directors and any changes to the board of directors.
 - Confirmation of exempted products (number of product/s, marketing name/s of the product/s and CMS reference number etc.)
 - Any amendment/changes to the exempt product/s, confirmation on whether these changes are approved by Council (proof of approval may be requested).
 - Confirmation of the active policyholders (principal members, dependents, beneficiaries) per option:
 - 31 December 2023
 - 31 December 2022
 - Copies of audited financial statements for 2022 and 2023.
 - Copies of binder agreements on exempted products.
 - Proof of payment of application handling fees.

Application handling fee:

- Insurer applying for exemption – R 2 750 (previous fee R2 500)
- Financial Service Provider submitting information on behalf of insurer – R 1 750 (previous fee R 1 500)
- Fee per Option – R 1 500 (previous fee R 1 000)
- Payment of handling fees for the submission of renewal applications and submission of proof of payment to demarcationrenewals@medicalschemes.co.za

- **Phase 2: Healthcare Utilisation Submission due by the 30 June 2024:**
 - A Circular will be published on the process for submitting healthcare utilisation information.

Disclaimer

Exemptions are granted by Council in terms of section 8 (h) of the Medical Schemes Act 131 of 1998 ("MSA"). The Exemption Framework serves as a guide to facilitate the exemption application process for insurers who were providing primary health care products when the Demarcation Regulations came into effect in 2017, intended to protect the interest of the existing policyholders as at 31 March 2017, as a transitional measure. The Exemption Framework is therefore neither intended to amend, substitute nor to supplement section 8 (h) of the MSA. The Exemption Framework is also not intended to in anyway restrict or take away the right of any medical scheme or any person from applying for an exemption from complying with any provision of the MSA as provided for under section 8 (h). The CMS encourages everyone who intends to conduct the business of a medical scheme to register as a medical scheme and comply with the regulatory requirements.

Yours sincerely,



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