



CIRCULAR

Reference: Update: Insurers conducting the business of a medical scheme
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Circular 9 of 2025: Update on the Demarcation Exemption Renewal Framework

1. The Council for Medical Schemes (CMS) would like to inform the industry that, in consultation with the National Department of Health (NDoH), National Treasury (NT), Prudential Authority (PA) and the Financial Conduct Sector Authority (FSCA), the Council has approved a two-year extension of the [Exemption Renewal Framework](#) for insurers conducting the business of a medical scheme. The framework will now be in effect **until 31 March 2027**.

Background

2. On 23 December 2016, the Minister of Finance, with the concurrence of the Minister of Health, published the Demarcation Regulations. These 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”, excluding primary healthcare products and hospital indemnity products. The Demarcation Regulations became effective on 1 April 2017. 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).
3. The CMS, in consultation with the NDoH, the NT, and the then Financial Services Board, now FSCA, 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.
4. Due to delays in the finalisation of the LCBO Guideline, the CMS issued a Renewal Exemption Framework, with relevant input from the NDoH, NT, FSCA, and the PA. The Renewal Framework, which sets the same exemption

criteria for 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.

5. Considering the establishment of the CMS Advisory Committees as well as the relevant workstreams flowing from them, 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.
6. The CMS completed the LCBO consultations and report drafting in 2023. On 22 November 2023, the LCBO Report was handed over to the Minister of Health for further review and consideration. The NDoH and the CMS issued a joint press statement on the same day to this effect.
7. Following this, Council considered and granted a renewal of the exemption for one year, from 1 April 2024 to 31 March 2025, in line with the Renewal Exemption Framework.

Renewal Process: Exemption application 2025

8. Given that the current exemption period expires on 31 March 2025 and that the Minister of Health, on 17 February 2025, published a notice in the Government Gazette to call for public comments on the CMS LCBO report (to be provided by 17 May 2025); and the time to finalise the resulting consultative process before making a final determination on the LCBO framework. After consultation with relevant stakeholders, Council has decided to extend the exemption period by another two years, to 31 March 2027.

The process for the submission of renewal information by 30 April 2025:

9. The renewal submission process will be conducted on the following basis:
 - **Phase 1 - Automatic submission via email with the following information by 30 April 2025:**
 - a) Submission via email to demarcationrenewals@medicalschemes.co.za.
 - b) Cover letter (Please quote allocated DM number).
 - c) Confirmation that the Insurer and linked FSP are still registered/licensed with the Financial Service.
 - d) Conduct Authority / Prudential Authority.
 - e) Confirmation of the current board of directors and any changes to the board of directors.
 - f) Confirmation of exempted products (number of product/s, marketing name/s of the product/s and CMS reference number etc.).
 - g) Any amendment/changes to the exempt product/s, as well as confirmation on whether these changes are approved by the Council (proof of approval may be requested).
 - h) Confirmation of the active policyholders (principal members, dependents, beneficiaries) per option:
 - 31 December 2024
 - 31 December 2023
 - 31 December 2022
 - i) Copies of audited financial statements for 2024 and 2023.
 - j) Copies of binder agreements on exempted products.
 - k) Proof of payment of application handling fees (referred to below).

- **Application handling fee:**

Insurer applying for exemption	R3 000 (previous fee R2 750)
Financial Service Provider submitting information on behalf of insurer	R2 000 (previous fee R1 750)
Fee per Option	R2 000 (previous fee R1 500)

**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 2025:**

A Circular will be published on the process for submitting healthcare utilisation information.

Disclaimer

10. Exemptions are granted by Council in terms of section 8 (h) of the 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 of 31 March 2017, as a transitional measure. The Exemption Framework is, therefore, neither intended to amend, substitute nor 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,



Dr Musa Gumede
Chief Executive and Registrar
Council for Medical Schemes