

DEMARCATIION UPDATE PRESENTATION

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WHAT ARE THE DEMARCATION REGULATIONS???

Demarcation – means to set clear boundaries:



The demarcation regulations are aimed at clearly demarcating the regulatory supervision of medical scheme and health insurance products.

CMS regulations vs. FSB regulations



- The demarcation regulations identify the types of contracts that, despite the contracts meeting the definition of business of a medical scheme, are health policies or accident and health policies that are subject to the jurisdiction of the Long-term Insurance Act (LTIA) or the Short-term Insurance Act (STIA) and not the Medical Schemes Act (MSA).
- Legislation made by the Minister of Finance under sections 72(2A) of the LTIA and 70(2A) of the STIA in Government Notices 1585 and 1582 in Government Gazette 40515 of 23 December 2016; effective **1 April 2017**.
- This means that on 1 April 2017 when the amended definition of business of a medical scheme took effect, certain contracts offered by insurers as health or accident and health policies will no longer be these types of policies, but will instead be subject to the MSA.

PRODUCTS AFFECTED BY THE DEMARCATION REGULATIONS

PRODUCTS UNDER REGULATION BY THE CMS

- **Primary Healthcare Insurance Policies** – These policies provide limited medical service benefits, often through employee groups or bargaining councils. These services include GP visits, acute & chronic medication, emergency medical care, dentistry and optometry.
- **Hospital indemnity products:**
Hospital indemnity products are designed to pay the costs of your medical care directly, without giving you any cash (unlike a hospital cash back plan, which pays money direct to the policyholder)

PRODUCTS UNDER REGULATION BY THE FSB

- **Medical Expense Shortfall Policies (GAP cover plans)** – these are policies which cover the shortfall between medical scheme benefits and the rates charged by private medical service providers.
- **Non-medical expense cover as result of hospitalisation policies (Hospital Cash Plans)** – These policies pay out a stated benefit upon hospitalisation – usually per day spend in-hospital. These stated benefits are not related to the actual cost of any medical service. Its aim is to cover incidental costs such as loss of income while being in hospital.
- **Accident and health policies** – benefits provided to policy holders for sickness, accidental injury, or accidental death. These benefits include payment of hospital and medical expenses as well as income payments.

STAGE1 – BASIC APPLICATION INFORMATION SUBMISSION

- Due date - 31 March 2017
- Number of applications received : 38
- Number of insurance products evaluated – 171 :
 - 117 products appears to be Primary Healthcare products;
 - 87 products appears to be hospital indemnity products.
 - (Products can include both primary and hospital indemnity components)

- Stage 1 submission to Council for approval – 31 May 2017

Council resolution:

- 35 applications were approved;
- 3 applications were not approved on the basis of not doing the business of a medical scheme (eg household insurance products);
- All applicants were notified of the outcome via formal letters after the Council meeting;

STAGE 2 – DETAILED APPLICATION INFORMATION SUBMISSION

- The due date for the majority of Stage 2 applications - **30 June 2017**.
- Circular 38 of 2017 was sent to the industry to guide the insurers on how to submit Stage 2 information;
- Stage 2 detailed submission information:
 - Details of directors, audited financial information, number of indemnity products, member age, pension, chronic, demographic information, etc.
- **STAGE 2 APPROVAL:**
 - Received 36 Stage 2 exemption applications which served before Council on **17 October 2017**.

Stage 2 application outcome:

Approved applications – subject to exemption conditions. Compliance by 9 May 2018;	18	<ul style="list-style-type: none"> • Primary care products doing the business of a medical scheme; • Registered insurers and financial service providers; • Insurance products; • Existing members
Not approved	8	Accident and health policies – not doing the business of a medical scheme. (Accidental injury or death – lump sum payments to beneficiaries)
Not approved	7	New products – no existing members
Not approved	3	<ul style="list-style-type: none"> • Products doing the business of a medical scheme, but not registered with the FSB; • Not registered insurers or financial service providers; • Not insurance products per say.
Total	36	Number of applications received

DEMARCATIION EXEMPTION CONDITIONS

Stage 2 Exemption with specified conditions – due date 9 May 2018:



Examples of exemption conditions:

- Detailed membership information – gender, age, geographic location;
- Discrimination;
- Waiting periods applied – not excessive;
- Complaints process;
- Treating customers fairly;
- FSB Prudential requirements

The End!!!

QUESTIONS????????