PUBLICATION OF PROPOSED AMENDMENTS TO DRAFT DEMARCATION REGULATIONS MADE UNDER SECTION 72 OF THE LONG-TERM INSURANCE ACT, NO. 52 OF 1998

The Minister of Finance, in accordance with section 72(2B) of the Long-term Insurance Act No. 52 of 1998, hereby publishes for public comment, proposed amendments to draft Demarcation Regulations made under section 72 of the Long-term Insurance Act No. 52 of 1998 and published under GNR.1492 of 27 November 1998, to be made under sections 72(1) and 72(2A) of the Long-term Insurance Act No. 52 of 1998.

The amendments proposed in this draft Demarcation Regulation takes into account comments received in response to the first draft Demarcation Regulations that were published in GNR. 192 of 2 March 2012.

Comments on the proposed amendments in this draft Demarcation Regulation are invited from all interested stakeholders. Written comments should be sent to Ms Reshma Sheoraj at LTdemarcation@treasury.gov.za faxed to 012 315 5206 on or before 7 July 2014.

The draft Demarcation Regulations, explanatory memorandum and summary of public comments are also available on the National Treasury's website at http://www.treasury.gov.za, and the Financial Services Board’s website at http://www.fsb.co.za.

Part 3A of the Regulations are hereby amended by:

(a) the substitution for subregulation (2) in Regulation 3.2 of the Regulations for the following subregulation:

"(2) Subject to subregulation (3A), no commission shall be paid or accepted otherwise than in accordance with this Part generally, and specifically as specified in the Table.";

(b) the insertion after subregulation (2A) in Regulation 3.2 of the Regulations of the following subregulation:

"(3A) Commission payable in respect of a contract identified as an accident and health policy under Part 7 of the Regulations is subject to the maximum compensation and other requirements prescribed under regulation 28 of the Regulations made under the Medical Schemes Act, 1998 (Act No. 131 of 1998) pursuant to section 65(2) of that Act, 1998 (Act No. 131 of 1998)."; and

(c) the insertion after the last note in the Notes to Annexure 1 to Part 3A of the following note:

"a health policy under item 5 refers to a health policy other than a contract identified as a health policy under Part 7 of the Regulations"."

Part 7 of the Regulations is hereby substituted for the following Part:

"PART 7
CONTRACTS IDENTIFIED AS HEALTH POLICIES UNDER PARAGRAPH (b) OF THE DEFINITION OF HEALTH POLICY

Definitions and interpretation
7.1 In this Part 7, unless the context indicates otherwise -

"insurer" means a long-term insurer;

"medical scheme" has the meaning assigned under section 1 of the Medical Schemes Act;

"Medical Schemes Act" means the Medical Schemes Act, 1998 (Act No. 131 of 1998);

"member" has the meaning assigned under section 1 of the Medical Schemes Act;

"policy" means a long-term policy;

"related" has the meaning assigned in the Companies Act, 2008 (Act No. 71 of 2008);

"relevant health service" has the meaning assigned under section 1 of the Medical Schemes Act; and

"this Part" means this Part 7.

Categories of contracts identified as health policies under paragraph (b) of the definition of health policy
7.2 (1) A contract is a health policy under paragraph (b) of the definition of health policy if that contract -

(a) matches any of the categories of contracts, meets the criteria and provides for the policy benefits associated with that category, as set out in the table below.
<table>
<thead>
<tr>
<th>Category</th>
<th>Name</th>
<th>Policy benefits</th>
<th>Criteria</th>
</tr>
</thead>
</table>
| 1        | Lump sum or income replacement policy benefits payable on a health event | Covers loss of income and contingency expenses associated with insured persons experiencing a specified health event. | • Policy benefits are one or more sums assured stated in the contract in Rand terms.
• The aggregate of the policy benefits payable under all policies issued by an insurer and its related parties to a specific person may not exceed the maximum amount referred to in sub-regulation (4) per day per insured person.
• Contract must provide for an annual term and monthly premiums.
• An elimination or deferred period may apply before policy benefits are paid. |
| 2        | Frail care | Covers custodial care (assistance with activities of daily living) for insured persons. | • Policy benefits are one or more sums assured stated in the contract in Rand terms or ascertainable on a pre-determined basis set out in the contract.
• Policy benefits may be paid in kind or to a provider of a relevant health service.
• Policy benefits may be linked to actual costs or expenses of a relevant health service.
• Policy benefits may be paid on a pre-funded or immediate needs basis.
• An elimination or deferred period may apply before policy benefits are paid. |
<p>| 3        | HIV and Aids | Covers expenses for HIV-related | Same as for category 2. |</p>
<table>
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<tr>
<th></th>
<th>Emergency Evacuation or Transport</th>
<th>Covers guaranteed access to and utilisation of specialised medical transportation and / or guaranteed hospital admission to ensure that the insured person is admitted to an emergency treatment facility and stabilised.</th>
</tr>
</thead>
</table>
| 4 |                                 | • Policy benefits are ancillary to the main policy benefits provided under the policy.  
• Policy benefits may be payable in kind or to a provider of a relevant health service.  
• Policy benefits may be linked to actual costs or expenses of a relevant health service. |

(2) A contract referred to under sub-regulation (1) may not:

(a) unfairly discriminate directly or indirectly against any person on any of the following or similar grounds: race, age, gender, marital status, ethnic or social origin, sexual orientation, pregnancy, disability and state of health;

(b) provide for waiting periods exceeding 6 months;

(c) provide that the policyholder or life insured must be a member of a medical scheme;

(d) entitle the insurer to refuse any claim for policy benefits on the grounds that the life insured had experienced a health event prior to the commencement of the applicable cover;

(e) provide for the cancellation, variation or non-renewal of the contract by the insurer as a result of the health or claims experience of a life insured; and

(f) in relation to a contract referred to in category 1 in the table under sub-regulation (1), -
   
(i) provide policy benefits that are fully or partially linked to indemnifying the policyholder against medical expenses incurred as a result of a relevant health service; or

(ii) allow for the cession or payment of any policy benefits payable under the contract to a provider of a relevant health service.

(3) The maximum amount referred to under category 1 in the table under sub-regulation (1) is R 3 000,00 (three thousand Rand) escalate annually from the effective date of this Part.
by the Consumer Price Index (CPI) annual inflation rate published by Statistics South Africa
(as defined in section 1 of the Statistics Act, 1999 (Act No. 6 of 1999)).

Marketing and disclosures

7.3 Any marketing activity or marketing material in respect of a contract referred to under
regulation 7.2 must –

(a) not identify that contract by the term “medical”, “hospital” or any derivative thereof;

(b) not in any manner create the perception that the contract –

(i) indemnifies a policyholder against medical expenses incurred as a result of a
relevant health service; or

(ii) is a substitute for medical scheme membership;

(c) display the following statement in clear legible print in a prominent position:
   “This is not a medical scheme and the cover is not equivalent to that of a medical
   scheme. This policy is not a substitute for medical scheme membership.”;

(d) in relation to a contract referred to in category 1 in the table under regulation 7.2(1), in
addition to paragraph (b) above, display the following statement in clear legible print in
a prominent position:
   “The intention of the policy is to cover contingencies other than medical expenses. This
policy may not be ceded and no benefit payments are allowed to be paid to a provider
of a relevant health service through cessions or similar means.”; and

(e) clearly disclose and explain in easily understood language –

(i) the matters referred to in section 48 of the Act; and

(ii) that the contract is not a medical scheme and the cover is not a substitute for or
equivalent to a medical scheme.

Limitation on combination of policies

7.4 An insurer may not alone or with a related party, directly or indirectly, develop or offer to
policyholders or potential policyholders health policies referred to in this Part which policies
collectively may result in the aggregate of the policy benefits under those policies being
contrary to the objectives and purpose of the Medical Schemes Act and the principles referred
to in sections 72(2A)(b)(i)(cc)(A) to (C) of the Act.
Reporting of product information

7.5 (1) An insurer must, at least 1 month prior to introducing or launching a new health policy referred to in this Part, submit to the Registrar and Registrar of Medical Schemes –

(a) a summary of the benefits, terms and conditions and marketing material of that health policy; and

(b) a summary of the benefits, terms and conditions and marketing material of other health policies referred to in this Part offered by the insurer or a related party of the insurer to policyholders and potential policyholders.

(2) The Registrar of Medical Schemes may, within the month referred to under sub-regulation (1) or at any time thereafter, advise the Registrar that the Registrar of Medical Schemes is of the opinion that the benefits, terms and conditions or marketing material concerned is contrary to the objectives and purpose of the Medical Schemes Act and the principles referred to in sections 72(2A)(b)(i)(cc)(A) to (C) of the Act, and the reasons for this opinion.

(3) The Registrar may within the month referred to under sub-regulation (1) or at any time thereafter, of the Registrar’s own accord or after due consideration of an opinion of the Registrar of Medical Schemes referred to under sub-regulation (2), by notice to the insurer, object to any of the benefits, terms and conditions and marketing material of a health policy submitted under sub-regulation (1), and –

(a) prohibit the insurer from introducing or launching the health policy; or

(b) instruct the insurer to stop offering or renewing those health policies to the public and within 90-days of the date determined by the Registrar, terminate any health policy; or

(c) require the insurer to amend any of the benefits, terms and conditions and marketing material of a health policy in accordance with the requirements of the Registrar.

Transitional arrangements

7.6 (1) An insurer must, 3 months after this Part comes into operation, submit a summary of the benefits, terms and conditions and marketing material of all existing health policies referred to in this Part introduced or launched on or after 15 December 2008 to the Registrar and Registrar of Medical Schemes.

(2) The Registrar of Medical Schemes may, within the 3 months referred to under sub-regulation (1), or at any time thereafter, advise the Registrar that the Registrar of Medical
Schemes is of the opinion that the benefits, terms and conditions or marketing material concerned is contrary to the objectives and purpose of the Medical Schemes Act and the principles referred to in sections 72(2A)(b)(i)(cc)(A) to (C) of the Act, and the reasons for this opinion.

(3) The Registrar may within the 3 months referred to under sub-regulation (1) or at any time thereafter, of the Registrar's own accord or after due consideration of an opinion of the Registrar of Medical Schemes referred to under sub-regulation (2), by notice to the insurer, object to any of the benefits, terms and conditions and marketing material of a health policy submitted, and -

(a) instruct the insurer to stop offering or renewing those health policies to the public and within 90-days of the date determined by the Registrar, terminate any health policy; or
(b) instruct the insurer, by a date determined by the Registrar, to amend any of the benefits, terms and conditions and marketing material of a health policy in accordance with the requirements of the Registrar before offering those health policies or renewing any existing health policies to the public.


Part 8 is hereby inserted after Part 7 of the Regulations:

"PART 8
TITLE AND COMMENCEMENT

7.1 These regulations are called the Regulations under the Long-term Insurance Act, 1998.

7.2 (1) Regulations 1 to 4 came into operation on commencement of the Act.
(2) Regulations 3A and 5A came into operation on 1 December 2006.
(3) Regulations 3B and 5B came into operation on 1 January 2009.
(4) Regulation 6 came into operation on 1 January 2011.
(5) Regulation 7 came into operation on [insert date].
(6) Any amendments to regulations 1 to 7 come into operation on the date of publication thereof in the Government Gazette or on such other date specified by the Minister in the Government Gazette or specified in a regulation."
NOTICE – CHANGE OF TELEPHONE NUMBERS: GOVERNMENT PRINTING WORKS

As the mandated government security printer, providing world class security products and services, Government Printing Works has adopted some of the highly innovative technologies to best serve its customers and stakeholders. In line with this task, Government Printing Works has implemented a new telephony system to ensure most effective communication and accessibility. As a result of this development, our telephone numbers will change with effect from 3 February 2014, starting with the Pretoria offices.

The new numbers are as follows:

- Switchboard : 012 748 6001/6002
- Advertising : 012 748 6205/6206/6207/6208/6209/6210/6211/6212
- Publications Enquiries : 012 748 6052/6053/6058 GeneralEnquiries@gpw.gov.za
- Maps : 012 748 6061/6065 BookShop@gpw.gov.za
- Debtors : 012 748 6060/6056/6064 PublicationsDebtors@gpw.gov.za
- Subscription : 012 748 6054/6055/6057 Subscriptions@gpw.gov.za
- SCM : 012 748 6380/6373/6218
- Debtors : 012 748 6236/6242
- Creditors : 012 748 6246/6274

Please consult our website at www.gpwonline.co.za for more contact details.

The numbers for our provincial offices in Polokwane, East London and Mmabatho will not change at this stage.