

RESPONSE TO SHORT-TERM INSURANCE ACT, 1998: PUBLICATION OF PROPOSED
AMENDMENT OF REGULATIONS MADE UNDER SECTION 70 FOR PUBLIC COMMENT

Health and Accident Insurance Policies



Travel Assured

FSP	Regulation	Comment
TIC (FSP No. 15592)		<p>The comments listed in this response document are done from the perspective of a travel insurance provider.</p> <p>It is of concern to the writer that the attempt to amalgamate the interests of the FSB and the Medical Schemes Registrar into one Act will actually serve to prejudice and increase costs to the travel insurance policyholder.</p> <p>Although it is understandable that this effort be made a lack of understanding of the travel insurance market and its underwriting make such attempt extremely hard to consolidate.</p> <p>Travel insurance in South Africa is unlike other territories in that only around 0.5% of the policies issued are done on an annuity basis. The absolute majority of policies issued to leisure travellers are done for periods of less than three (3) weeks which makes the benefits, terms and conditions and pricing of such policies vastly different to that of other accident and health annuity based products. While travel insurance is classed as an accident & health policy it does not operate in a like fashion to Category 1, 2, 3, 4 and 7 products as it can have in excess of 15 different benefits that cover the policyholder's journey. While other accident & health policies charge a monthly premium, travel insurance does not, and while other accident & health policies have come about with the specific intention of insuring health related matters locally, travel insurance does not necessarily.</p> <p>In the Explanatory Memorandum, section 2, it is stated that the draft regulations are the result of robust and <u>inclusive</u> consultation with interested and affected stakeholders. This has certainly not been the case in terms of travel insurance as</p>

General Comments

		at no time has the longest standing travel insurer, TIC, to the South African public been consulted in this matter.	
Proposed Amendment Comments			
TIC (FSP No. 15592)	7.2 (2) (b)	<p>The limitations proposed by this clause will have the following effect:</p> <ul style="list-style-type: none"> • Prior health events will be deemed to be open ended which is not the basis of a travel insurance policy • The total pool of travel insurance funds will not be able to sustain the costs incurred if prior health events are allowed unchecked • Nowhere else in the world has this limitation been imposed on travel insurance policies which are widely regarded as offering a specific once-off cover for those individuals that wish to insure themselves against the adverse effects of being treated in a foreign medical institution • Underwriting of policies will become considerably more difficult • Until such time as the implications of such a clause have been understood it would be anticipated that policy premiums would increase considerably • It may take up to two (2) or three (3) years to determine and effectively price in the effects of such a clause 	<ul style="list-style-type: none"> • Travel insurers currently do offer cover when prior health events have been experienced • Such policies are limited and still carry the underlying conditions and exclusions but offer far greater cover than standard policies • The policyholder has the option to purchase such policies • The Registrar should make an exemption to travel insurers in this regard considering the limitation of once-off premiums that the travel insurer is able to charge any one policyholder
TIC (FSP No. 15592)	7.2 (2) (c)	<p>The limitations proposed by this clause will have the following effect:</p> <ul style="list-style-type: none"> • Travel insurers will have no ability to prevent abuse of its policies • Short-term policies are not community rated like medical schemes, and in the event that travel insurers are unable to vary contracts, this will result in travel insurers being unable to effectively underwrite policies correctly and as the circumstances dictate • This clause looks to prevent the short-term insurer from effecting its main purpose and that is to underwrite the risk accordingly, refrain from accepting particular risks or looking to re-rate risk • The essence of short-term insurance is to manage risk on specifically a short-term basis and 7.2 (2) (c) will in effect give the Council of Medical Schemes the ability to impose its designs on the short-term industry • This clause will open the door to persons that are looking to obtain high cost medical treatment and who cannot afford the monthly premiums of a medical scheme taking out a travel insurance policy and using it abroad 	<ul style="list-style-type: none"> • Travel insurance policies are not annuity based policies which makes the ability to accumulate significant reserves extremely difficult • The total premium in the travel insurance market is less than 0.1% of the medical scheme market yet travel insurers often incur claims of between R3 million and R7 million • Travel insurers need to be afforded the ability to vary policies so that they are able to effectively underwrite, manage claims costs and ensure that premiums are charged at an affordable rate • The requirements of the Council of

TIC (FSP No. 15592)	7.3 (a)	<p>fraudulently for as little as R250</p> <p>The limitations proposed by this clause will have the following effect:</p> <ul style="list-style-type: none"> This clause will have a significant effect on the travel insurance market because policyholders purchase a travel insurance product for the medical benefit Medical costs can be in excess of ten (10) times the cost of equivalent treatment here in South Africa The removal of the words 'medical' and/or 'hospital' from the marketing material of a travel insurance provider will reduce the awareness of such products in the market thereby prejudicing the potential policyholder of acquiring the product to insure against a financially devastating risk By removing these words the product cannot be marketed as it has been designed and sold in South Africa for over twenty five (25) years With the development and progression of the web and on-line availability of products the restriction on the use of such words would make the ability to search and acquire the right type of product especially difficult Many new entrants to the insurance market are young and have never used a broker to advise them so when searching on the web they will be at an immediate disadvantage 	<p>Medical Schemes should not be applied in the short-term arena to the detriment of the Short-term insurers</p> <ul style="list-style-type: none"> The progression of our regulation has sought not only to prevent the sale of the incorrect product to the policyholder but also to ensure that the policyholder has access to the correct product Marketing is the foremost mechanism in product awareness and as such the removal of this amendment is necessary to ensure that the correct product is accessible to the policyholder
TIC (FSP No. 15592)	7.4 (2) & (3)	<p>The limitations proposed by this clause will have the following effect:</p> <ul style="list-style-type: none"> The timeframe of one (1) month for the Registrar or the Registrar of Medical Schemes to respond to an insurers product is impractical Therefore, the follow on limitation of, "... or at any time thereafter ..." is more likely to be the case This is commercially irresponsible as it will render serious financial loss, job loss and embarrassment to insurers within the short-term insurance industry This amendment does not address any recourse or forum for the insurer against an adverse ruling by the Registrar 	<ul style="list-style-type: none"> The timeframe should be adjusted to at least three (3) months prior to the launch and the decision of the Registrar is limited to being delivered to the insurer at least 1 month prior to launch

