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**PRAESIDIO**  
RISK MANAGERS

**DRAFT REGULATIONS  
HEALTH & ACCIDENT INSURANCE POLICIES**

## COMPANY DETAILS:

**Praesidio Risk Managers (Pty) Ltd**

## **ABOUT US**

Praesidio Risk Managers was founded in May 2001 and are a specialist Group Personal Accident Underwriting Manager for Lloyd's of London. Our products are distributed locally and internationally through our extensive broker network.

We understand the need for global and local South African companies to operate under a "Duty of Care" obligation towards their employees and the need to provide financial assistance following a fatal or serious accidental injury occurring anywhere in the world as well as the increased costs the company has to bear. Our products cover company employees on a worldwide and 24-hour basis with the benefits being paid to the companies who can then fulfil their "Duty of Care" obligation and protect their financial exposure.

We are focused on offering our global and local South African clients the specialist knowledge of a single product company. We provide local and international cover to approximately 400 clients who range from the small industrial company to some of the largest South African mining and industrial groups.

We are committed to providing innovative and customised solutions to suit the needs of our clients. Our company has sound business and management principles and it is constantly being developed as we utilise the experience and contacts we gain in our field of expertise.

### **Lloyd's of London Underwriters**

Our tribunalisation with Lloyd's of London in 2003 put us in the position to provide coverage and capacity not readily available in the South African insurance market. We maintain a relationship of excellence with our underwriters which enhance our flexibility to accommodate our clients on each and every risk.

Our Supporting Underwriting Syndicates include:

- Brit Syndicate
- Liberty Syndicate
- Hiscox Syndicate
- Beazley Syndicate

Our Underwriters provide us with worldwide expertise in niche products and markets, constantly creating new product ideas, capacity and innovative ways of looking at risks.

### **London Broker**

Jardine Lloyd Thompson (JLT) Specialty Limited are our Accident & Health Insurance and Reinsurance brokers into the Lloyd's and London markets. They have a wealth of experience in structuring and placing various forms of Accident and Health Insurance underwriting facilities. Their product expertise include:

#### Accident & Health Products

- High-risk & high-value Group Personal Accident
- Medical Expenses and Healthcare products
- Emergency Medical Evacuation Expenses
- Key Man Cover
- Critical Illness / Dread Disease
- Accidental HIV (needle stick, rape and blood transfusion)
- Organ Transplant
- Professional Sportsmen (Career Ending Injury / Medical Expenses)

#### Special Risk products

- Kidnap and Ransom
- International and Domestic Travel Insurance

## OUR PRODUCTS

**Group Personal Accident:** Our core benefits include Accidental Death, Permanent and Temporary Disability, Medical Expenses (in excess of any medical aid benefit whilst in South Africa and actual costs incurred whilst outside the borders of South Africa), Loss of Income and Emergency Evacuation & Repatriation Expenses.

**Aviation Personal Accident:** Accidental Death, Permanent and Temporary Disability and Medical Expenses for pilots and crew flying locally and internationally.

**Extreme Risk Personal Accident:** Accidental Death, Disability, Medical Expenses (in excess of any medical aid benefit whilst in South Africa and actual costs incurred whilst outside the borders of South Africa), and Emergency Evacuation & Repatriation Expenses whilst participating in an extremely high risk activity.

**Keyman Cover:** Lump sum benefit payable to a company to provide financial protection in the event that one of their Key Personnel is killed or disabled as a result of an accident.

**Critical Illness:** Lump sum benefit payable upon the diagnosis of a specified illness.

**Accidental HIV:** Lump sum benefit payable in the event of a Insured Person's HIV+ diagnosis following an accidental HIV exposure.

**Kidnap & Ransom:** Financial protection following incidents of Kidnap, Extortion and Detention. Cover is tailored precisely to the client's needs. In addition extensive advice and guidance is given on the prevention and response to incidents. Cover includes a Death and Permanent Disability benefit.

**Acci-Med:** Lump sum benefit payable to occupants killed or disabled in a motor vehicle accident. Cover includes a fixed sum per day whilst the injured occupant is in hospital. This product is designed to cover low income employees who would not be able to afford any other form of medical insurance (i.e: domestic workers)

## **PROPOSED REGULATIONS**

### **NATIONAL TREASURY'S (NT) CONCERNS AND REASONS FOR THE PROPOSED AMENDMENT AND PRAESIDIO RISK MANAGERS' (PRM) COMMENTS**

- NT: Medical Schemes are based on the pooling of risk and may not discriminate on age, health status and income. Equal premiums are charged for high and low risk members. Insurance products are perceived as defeating this objective.
- PRM: Personal Accident Insurance facilities are also based on a pooling of risk and do not discriminate on age, health status and income. Our risk assessment and thus pricing is based on an individual or group's risk of accidental injury. Factors contributing to this are the insured person's occupation, road accident exposure, location and claims experience.
- For example: A healthy 26 year old administrator working in Randburg versus a healthy 26 year old cash in transit security guard working in Hillbrow. Both would be paying the same Medical Scheme contribution however due to the higher accident risk profile of the security guard his premium cannot be equal to the premium of the low risk administrator.
- NT: Insurance policies apply specific exclusions, thereby not providing cover to higher risk clients.
- PRM: Medical Schemes also minimise their cover to high risk clients by applying a 12 month waiting period on specific health conditions for new members who have not previously been a member of a Medical Scheme
- NT: Insurance products would attract younger and healthier risks, leaving the Medical Schemes to cover older sicker lives.
- PRM: Praesidio's product is not age rated so both old and young would pay the same premium if their accident risk profile is the same. We provide cover to large groups with varying ages, thus we cannot attract a specific age profile of any kind.
- NT: Insurance policies encourage "buy down" / "downgrading" of Medical Aid options
- PRM: Medical Schemes limit their cover on non-PMB claims. A large portion of medical practitioners charge in excess of these limits. Praesidio believes that it is a person's right to purchase cover should it exist to protect their exposure to these excess costs. It is our view that it is the limiting of Medical Scheme benefits that encourages the purchasing of Short Terms Insurance products that provide cover for these ever increasing excess costs and not vice versa.

### **PRAESIDIO'S CONCERNS RELATION TO THE PROPOSED AMENDMENT**

It is of concern to Praesidio that this Proposed Amendment is an attempt to install the same principles used by Medical Schemes on the Short Term Insurance industry that operates outside the control and geographical limits of the Medical Schemes Council.

We would like to draw to your attention the following concerns reflected in the Proposed Amendment:

#### Schedule A, Part 7, 7.2 (1) – Table Category 1

It would appear that a Personal Accident policy would fall under this category.

Under the Criteria column point 2 it stipulates that a policy benefit must be limited to 70% of the policyholder's net income. Our policyholder is the company who insures their financial exposure to an employee being accidentally injured and not being able to work. This cover is provided under a

Temporary Total Disablement benefit and indemnifies the company up to 100% of the employee's gross earnings. This is the company's financial exposure and anything less would leave the Insured Company with an uninsured financial burden. This defeats the possibility of indemnification.

Under the Criteria column point 4 it stipulates that policy benefits may only be limited to 10 severity levels. We do not see the reason for this limitation and how it can be executed without limiting the benefit to the client.

#### Schedule A, 7.2 (2)

- (b) This refers to the Pre-Existing Medical Condition Exclusion that is included in a Personal Accident policy. It is a fundamental short term insurance principle that anything deemed to be pre-existing cannot be insured under a policy unless it is specifically underwritten for. If this exclusion cannot be enforced we would attract claims that are not fortuitous but a certainty and viability of our product line will be prejudiced.
- (c) We underwrite on behalf of Lloyd's of London and it is a requirement of our Insurers that renewal invitation, terms and conditions are based on the Insured's claims experience. Internationally this is the manner in which all Personal Accident facilities are underwritten.
- (d) We provide Medical Expenses cover as a result of an accidental injury to employees of South African companies who are operational outside the borders of South Africa. This however can not simply be limited to foreign countries as these employees often return to South Africa for short periods and will not be eligible for Medical Aid cover.
- (e) Under a Personal Accident policy all claim payments are made to the Insured and not the relevant health service provider.

#### Schedule A, 7.3 (Marketing and disclosure)

- (a) We feel that in order to comply with point (b) in Schedule B, 7.2 (3) "clear and easily understood language" that the marketing material and policy wording must use the terms "medical", "hospital" and any derivatives thereof.
- (b) (i) It must be perceived by our clients that cover is provided for Medical Expenses as many of our clients require this cover to be provided outside the borders of South Africa.
- (ii) We do not advocate in any way that our policy is a substitute for medical scheme membership.

#### Schedule A, 7.4 (Reporting of product information)

- (1-3) As we are a niche product provider each client received a bespoke schedule of benefits and it would be impossible to submit every policy for authorisation.

We also feel that as a Short Term Insurer we should not fall under the control of the Medical Schemes Council and that they should not have the power to disallow a Short Term Insurance Product. We do agree that there needs to be a level of demarcation between Short Term Insurance products and Medical Schemes but the control must be implemented by the relevant authority and not across product categories.

#### Schedule B, 7.2 (Explanatory Memorandum)

- (Point 2) It is of concern that the proposed legislation not only limits Short Terms Insurance products that it believes to be harmful to the environment of the Medical Schemes but also the products that it deems "not to be harmful" to the Medical Schemes environment. If they are not deemed harmful then there should be no need to propose limiting regulations.