

Date: 20th April 2012

Re. Objection to Treasury's draft regulations regarding the demarcation of health insurance policies

Dear Dr. Sheoraj,

I write this letter on behalf of our brokerage, for which I am the key individual. Our FSP number is 33932. The principal focus of our brokerage is medical aid advice and we have over 2,500 clients that we advise and service. We have contracts with 11 medical schemes to advise and service clients on their behalf. In addition we have contracts with two top up insurance companies, viz. Complimed and ZestLife.

One of the key elements of our advice to clients revolves around top up insurance / gap cover policies, and we see the role they play as vital to the long term sustainability of the private healthcare industry.

I would like to make it very clear at this point that we do not advocate the benefits of, nor do we sell or have any contracts with companies that provide medical insurance policies (e.g. Clientele Life) as these dilute the risk pool of the medical aids we support.

It is our view that the draft regulations as proposed to not draw a distinction between policies that provide top up insurance to medical aid and those that provide medical insurance as an *alternative* to medical aid.

As you are no doubt aware, the rates charged by private specialists have increased to a point where they are no longer affordable to the consumer. This 'free market' run comes at a time when consumers face an economic downturn coupled with rampant medical hyperinflation. The Council for Medical Scheme's guideline is CPI+3% per annum, which far exceeds the average earners annual increase in salary.

Continued on page 2

When looking back over the past three years, we can see a definite shift in the requirements of our existing and new clients. Whereas they were previously able to afford the higher end medical aid plans i.e. those that covered at 200% or 300% of the medical scheme rate, the reality now is that the majority are opting for 100% plans.

This requirement from our existing clients to downgrade them to 100% options or from our new clients to advise them of the 100% medical plans stems from affordability only. At no time do we ever advise that a client opts for medical insurance as an alternative to medical aid. The fact that we can offer our clients an inexpensive 'bridge' to cover them at private rates is a vital part of our advice to clients.

Please remember that top up insurance / gap cover policies have as a fundamental requirement that applicants must be members on an SA registered medical scheme. This does not deplete the medical scheme risk pool. These clients have elected to be on 100% medical aid plans. They have not left the medical aid industry. If gap cover was outlawed these same clients would not be able to afford the 200% or 300% policies offered by the schemes and would remain on their 100% plans, albeit in a far worse off position!

Medical insurance policies which are an alternative to medical aid and, in our opinion, should be outlawed as they do deplete the risk pool of medical aids, thereby driving costs.

Lastly, I would like to point out that it is not only the young and healthy members that are downgrading to 100% plans and taking out top up insurance. We have over 100 clients that are aged 70+ on top up insurance. In addition, we have many clients that have health issues that are on cover but have served out their 12 month pre-existing condition exclusion. Outlawing top up insurance would severely prejudice these members.

In conclusion, I would like to thank you for allowing us to voice our opinions on this matter. My request is that you seriously examine the nature of the relationship between the insurance policies that top up scheme shortfalls, which are vital to the health and economic wellbeing of all scheme members, as opposed to those that remove members from the medical scheme environment altogether.

Kind regards,