

Guardrisk

Health insurance and / or Medical schemes

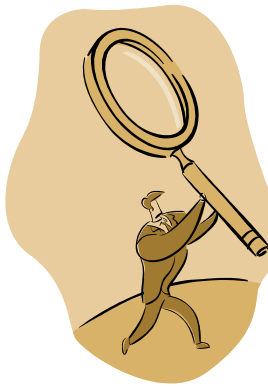
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\$ million question



Can they both exist in SA environment or are they mutually exclusive?



An insurer practitioner view

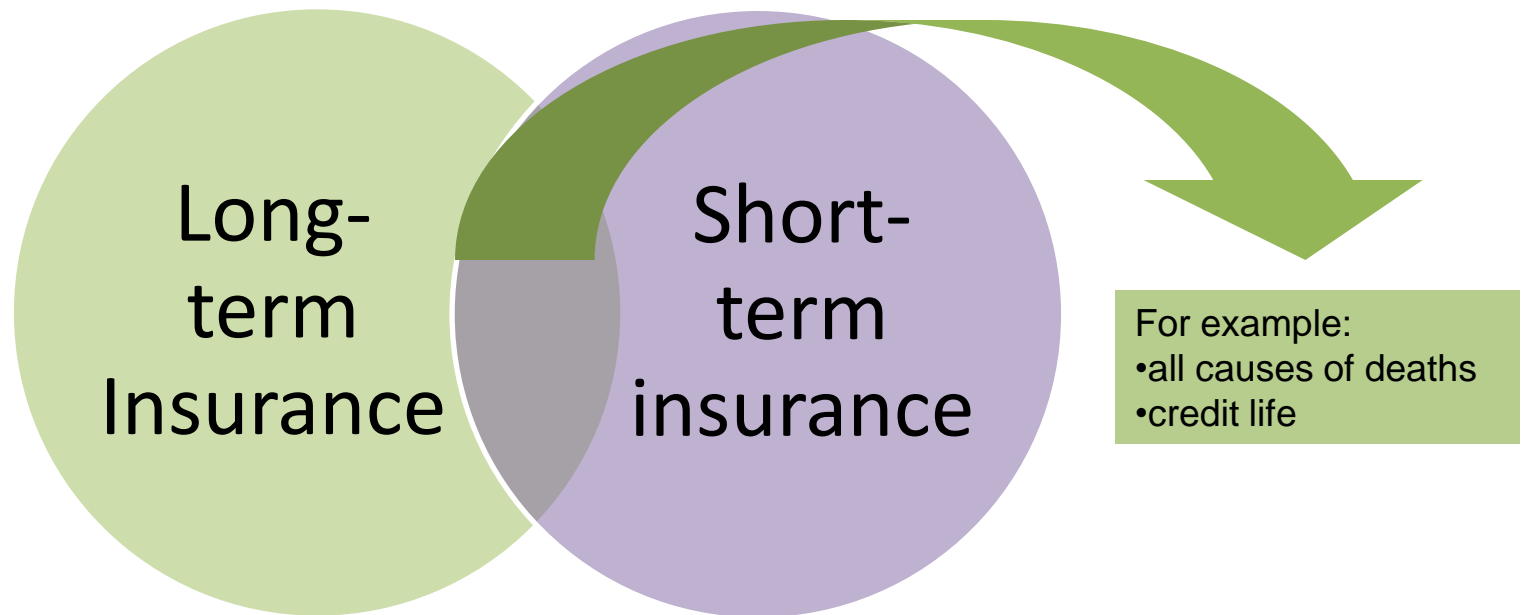
Main factors impacting a broad review of the matter

- Historical development of the insurance law
- Current insurance law and relevant case law
- National Health Insurance initiative
- What is potentially harmful to the MS environment?
- Last but not least:

What are the needs of the consumer?

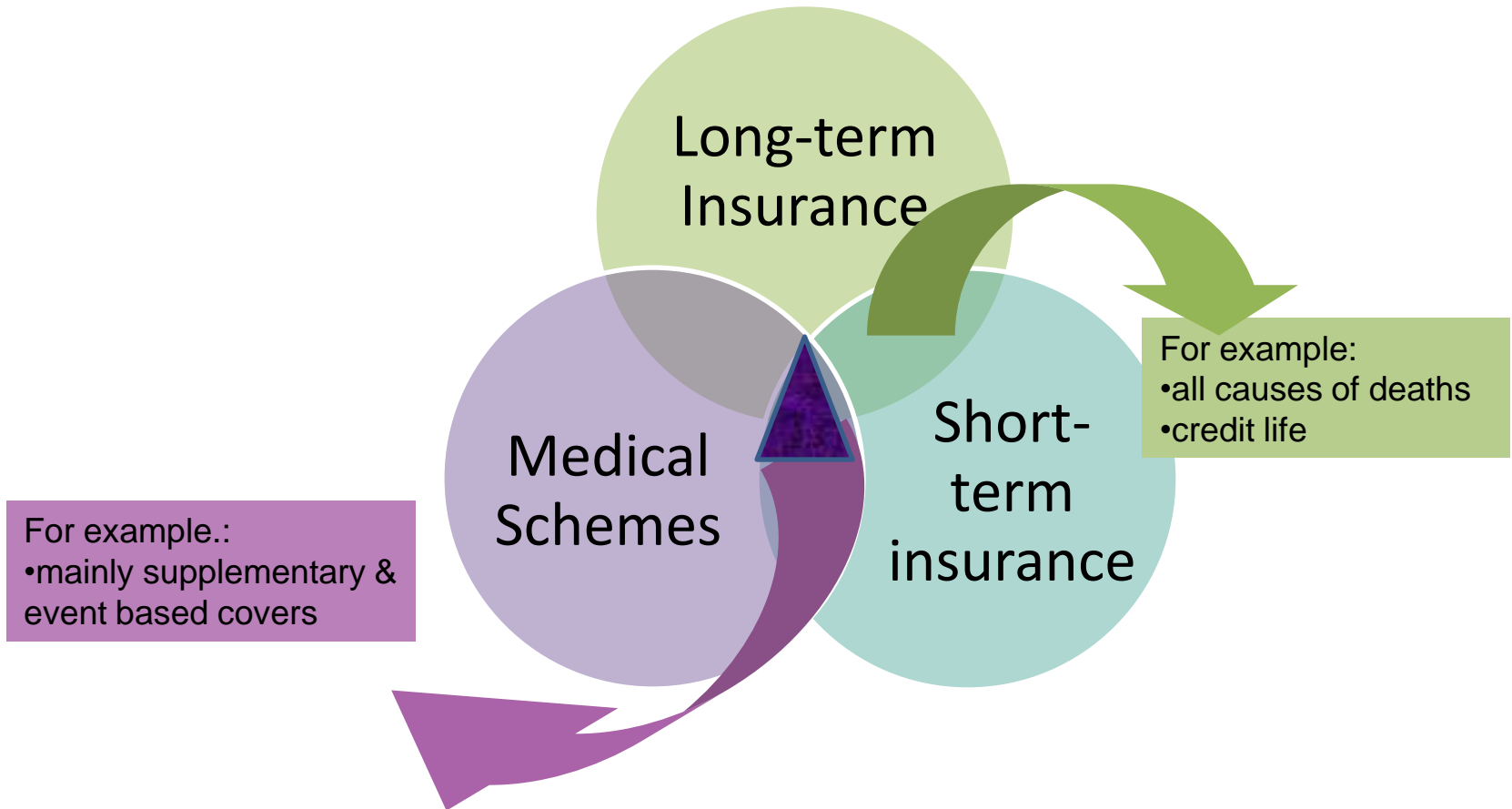
The Legal framework

Historical: 1943 Insurance Act



The Legal framework

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- Different covers offered by different institutions co-existed in harmony
- Potential problems: borders getting blurred / vague and institutions encroaching on each others' territories

The Legal Framework

Short and Long-term Insurance Acts: 1998

- Ringfence areas of overlap
- Limit potential further encroachment
- Continue to allow existing areas of commonality in products, covers and benefits
- Clarify “borders” by introducing limits to features of insurance products e.g.:
 - Stated benefits
 - Benefits to policy holder only
 - May not defer medical expenses

- Demarcation agreement with long-term insurance industry

- Case law

 - Council for Medical Schemes vs Guardrisk

- Insurance Laws Amendment Act 2008

 - Retain Health event / policy

 - Excludes “business of a MS”

 - Specifically includes policies conducting MS business as allowed by Min of Fin

 - Detail in regulations still to be promulgated

 - Consultation between Ministries and Regulators

 - Regulators may request any relevant information

 - Includes rules relating to marketing and product design

Health insurance
AND
Medical schemes

Legislation

Yes Yes



Health insurance
A N D
Medical schemes

National Health Insurance Plan

Yes ? ?



Harmful to MS environment

- ❖ Insurance products that cause:
 - ❖ Public to replace MS with insurance policies
 - ❖ Changing of plan / benefit options
 - ❖ Anti-selection by incentivising good risks to buy insurance until they need more comprehensive medical scheme cover
 - ❖ Systematic exclusion from ongoing “lifetime cover”
- ❖ Marketing practices that:
 - ❖ Incentivise intermediaries to oversell
 - ❖ Mislead public thinking product is a MS

Harmful to consumers

- Misleading marketing and sales practices
- Exclusions due to age or deteriorating health
- Cancellations of individual policies due to claims
- Limited disclosure of benefits and obligations of policyholders

Health Insurance product categories

Category 1

- Product intent totally removed from MS business

Category 2

- Includes medical expenses cover linked to a health event but as sub-component of non-health related cover

Category 3

- Products offering a degree of augmentation to cover provided by MS

Category 4

- Products offering benefits targeted at consumers that are unable to afford a MS

Potential requirements for health policies

- Limitations on sales practices and marketing material
- Requirements relating to underwriting criteria
 - Exclusions relating to pre-existing conditions
 - Frequency of rate reviews
 - No link to specific medical schemes / options
- Rules re termination of policies by insurer
- Full disclosure of purpose of cover etc.

- Cost of MS membership
- Gaps in MS benefit structures
- MS benefit limitation / caps
- Closed / employer schemes offer little / no choice
- Constitutional right of consumer to protect himself against exposures
- Value for money

- Surely medical schemes and health insurance can co-exist in current SA environment, driven by

Consumer needs

Legislation (to follow)

Questions

Thank you

