

## ***Draft Demarcation Regulations released for comment***

THE Minister of Finance, Pravin Gordhan, has gazetted and released for public comment the draft Demarcation Regulations which seek to find a better balance between medical schemes and health insurance products. The regulations also seek to address the risk of possible harm caused by health insurance products drawing younger and healthier members away from medical aid schemes to health insurance products. The regulations are required to strengthen and preserve the social solidarity principle that underpins medical schemes. By pooling healthier and sicker individuals cross-subsidisation is made possible through medical schemes. Those of poor health do not pay contributions according to their health status, a factor which makes medical aid contributions affordable to a lot more people than would have been the case otherwise. Health insurance products, on the other hand, operate on the basis that the policy holder pays a premium that is determined by the policy holder's age, health status or income. Health insurance policies also have exclusionary clauses, which can limit to whom the policy can be sold. The regulations are the outcome of a joint process between the National Treasury, Department of Health, Financial Services Board (FSB) and Council of Medical Schemes (CMS). Industry stakeholders involved in this process included the Association of Savings and Investments South Africa and the South African Insurance Association. The regulations give effect to the amendments made to the Insurance Laws Amendment Act, 2008, to allow for specific categories of health insurance products which will be allowed to be sold to the public, despite such products constituting the "business of a medical scheme" as defined in the Medical Schemes Act. The regulations provide for types of policies that will be allowed to be sold by long-term and short-term insurance companies. In determining whether a health insurance product should be allowed to be sold, consideration will be given to its impact on medical schemes. The National Treasury said in a statement that in determining whether health insurance products would or would not be allowed to be sold to the public, regard was given to the objectives of the Medical Schemes Act and the current or potential harm that a health insurance policy might cause to medical schemes environment. Health insurance products which would be allowed to be sold to the public in terms of the Regulations would fall outside the scope of the Act and would be subject to regulatory oversight by the FSB. The treasury said the Regulations represent an important step in ensuring that health and financial sector policy objectives were aligned, which was critical to prevent regulatory arbitrage between health insurance and medical scheme products in South Africa.

**The draft regulations are available for download from:**

**Short-term:** <http://www.medicalschemes.com/files/Acts%20and%20Regulations/MoFOnDemarcationSTRegulations.pdf>

**Long-term:** <http://www.medicalschemes.com/files/Acts%20and%20Regulations/MoFOnDemarcationLTRegulations.pdf>