



## CIRCULAR

Reference: Insurers conducting the business of a medical scheme  
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### **Circular 9 of 2022: Demarcation Exemption Renewal Framework**

The Council for Medical Schemes (CMS) wishes to advise the industry of the extension of the demarcation exemption period by a further two years, from 1 April 2022 to 31 March 2024.

Providers of indemnity products that conduct the business of a medical scheme and who were granted exemption during 2019 are required to submit renewal applications by close of business, Monday 14 February 2022.

The process for the submission of renewal applications is as follows:

- The payment of handling fees for submitting renewal applications and proof of payment should be forwarded to Ms Bontle Tshele at [b.tshele@medicalschemes.co.za](mailto:b.tshele@medicalschemes.co.za). Banking details of the CMS will be provided upon enquiry. Handling fees per application:
  - R 2 500 per registered insurer (exempted entity)
  - R 1 500 per financial service provider linked to the insurer
  - R 1 000 per product/option
- The renewal application should be submitted on the CMS website using this [link](#).
- Insurers are referred to the [Demarcation Exemption System Helpfile](#) and the [Data Specification Guideline](#) for detailed guidance on completing and submitting renewal application information.
- Renewal application information can be submitted starting from 7 February 2022.
- The deadline for submitting the renewal application, information requested under [Circular 56 of 2020](#) and all relevant information is due by close of business, Friday 29 March 2022.
- As approved by the CMS, only authorised data officers can make submissions on behalf of insurers.

The CMS will host a virtual workshop on 3 February 2022 to assist authorised data officers in submitting renewal applications and all required information. Interested parties can register [here](#) before 1 February 2022.

## Background

On 23 December 2016, the Minister of Finance published the Demarcation Regulations with the concurrence of the Minister of Health. The Demarcation Regulations provide that certain insurance policies have elements of the business of a medical scheme and are classified as “health policies” and/or “accident and health policies” whilst excluding primary healthcare products and hospital indemnity products. The Demarcation Regulations became effective on 1 April 2017. As a result, any provider of primary healthcare products and hospital indemnity products is deemed to be conducting the business of a medical scheme, as defined in section 1 of the Medical Schemes Act (131 of 1998) (MSA).

The CMS, in consultation with the National Department of Health, National Treasury and the then Financial Services Board, engaged and concluded an Exemption Framework. The Exemption Framework served as a guideline to providers of indemnity products that conduct the business of a medical scheme, who wished to apply for exemption in terms of section 8(h) of the MSA, from compliance with the provision of section 20(1).

The Exemption Framework was a transitional arrangement whilst the National Department of Health is busy developing a Low-Cost Benefit Option (LCBO) Guideline for medical schemes, valid for two years, from 1 April 2017 to 31 March 2019. The exemption framework protected existing policyholders on these insurance products from 31 March 2017, which would be affected by the Demarcation Regulations.

Due to delays in finalising the LCBO Guideline, the CMS issued a Renewal Exemption Framework, with the relevant input from the National Department of Health, National Treasury, Financial Sector Conduct Authority, and the Prudential Authority. The Renewal Framework, which sets the same exemption criteria for the insurers conducting the business of a medical scheme, was effective from 1 April 2019 to 31 March 2021. However, due to the impact of COVID-19 and the inability to hold relevant workshops, the Council extended the exemption period by another year to 31 March 2022.

Considering the establishment of the CMS Advisory Committees as well as the relevant workstreams flowing from the Advisory Committees, the Council, with input from the National Department of Health, National Treasury, Financial Sector Conduct Authority, and the Prudential Authority, agreed on the extension of the exemption period by a further two years, from 1 April 2022 to 31 March 2024.

As such, providers of indemnity products that conduct the business of a medical scheme and who were granted exemption during 2019 are required to submit renewal applications by close of business, Friday, 14 February 2022, consistent with the [Renewal Exemption Framework](#).

Yours sincerely,



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**Dr Siphon Kabane**  
**Chief Executive & Registrar**  
**Council for Medical Scheme**