



Reference: Insurers conducting the business of a medical scheme  
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## **Circular 22 of 2021: Revised exemption conditions to Circular 56 of 2020 (Industry update on developments for insurers conducting the business of a medical scheme)**

The Council for Medical Schemes (CMS) issued [Circular 56 of 2020](#) to the medical schemes industry on 14 August 2020, following the outcome of the renewal exemption applications of insurers conducting the business of medical schemes.

The circular also provided an overall update, regarding the establishment of the LCBO Advisory Committees and development of the Low-Cost Benefit Guidelines.

It provided specific feedback in regard to the renewal applications that were submitted by insurers in terms of section 8(h) of the Medical Schemes Act (131 of 1998) (MS Act) from compliance with the provisions of section 20(1).

Section 201(1) of the MS Act provides that no person shall carry on the business of a medical scheme unless that person is registered as a medical scheme under section 24. The schedule of exemption conditions that were imposed was attached as [Annexure 1](#).

Following deliberations with the industry, amendments to the exemption conditions were submitted to Council for ratification as contained in the revised [Annexure 1](#). The majority of the exemption conditions remain unchanged, however some major changes are highlighted below:

### **1. Outstanding information relating to paragraph 7.2**

Insurers are hereby requested to submit updated information before **31 December 2021**, consistent with paragraph 7.2 which states that:

*The relevant information that should be submitted includes, amongst others, audited financial statements, products, number of beneficiaries, product assumptions, etc. (For full details please refer to paragraph 7.2 of the Exemption Framework, which can be found [here](#)).*

## 2. Accreditation of administrators managed care organisations and brokerages/brokers

Insurers will have to demonstrate whether they would be able to comply with the accreditation requirements, including accreditation standards, agreements, etc upon conversion into the medical schemes environment. Detailed submissions should be made to this Office before 31 December 2021.

Applications for accreditation will only be permitted for registered medical schemes, i.e once conversion into the medical schemes' environment has been affected.

## 3. Broker compensation

Based on the concerns raised by the industry, broker compensation under the MS Act will not be sustainable. Insurers are required to submit information to the CMS on the current compensation models and will be requested to submit reports on measures that will be implemented to gradually decrease non-healthcare expenditure, including broker fees.

It should be noted that the amendments to the exemption conditions do not alter the current exemption expiry date of **31 March 2022**.

The CMS remains committed to ensuring that low-income earners have access to quality healthcare that is regulated effectively and complies with provisions of the MSA. For this reason, the CMS is open to engaging with insurers and medical schemes to work towards transitioning into the medical schemes' environment for improved healthcare coverage.

The CMS also encourages the healthcare industry to participate in the current Advisory Committees towards the development of an LCBO Framework, by emailing [lcbo@medicalschemes.co.za](mailto:lcbo@medicalschemes.co.za).

Yours sincerely,



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**Dr Siphon Kabane**  
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