

Health insurance: What is the hype?

By [Suné Van Schalkwyk](#), issued by [Milpark Education](#)

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First, what is health insurance? It is a financial product that consists of a benefit or multiple benefits providing cover for certain medical costs. Let us unpack this...



As holder of such a financial product, the client owns an agreement (contract) with an insurance company that will agree to (pay) the costs you incur under the stated benefits of the financial product. In order for an insurance company to issue such a financial product (health insurance policy), it needs to be registered as an approved financial services provider with the Financial Sector Conduct Authority (FSCA) and hold the necessary license to administer a financial product under either the Long-Term or Short-Term Insurance class of business, which is regulated under the Insurance Act, 2017.

Why is it important to understand the registration and license of a health insurance policy? This ensures that the holder of the financial product understands the benefit/s as per agreement with the insurer. Furthermore, the holder also knows it is not a medical scheme (and therefore it is not regulated under the Medical Schemes Act, 1998) and it is also not a Low-Cost Benefit Option (LCBO) (as the guideline for such an option to a medical scheme is yet to be published).

Over the past years, we have seen more marketing and a boom in the availability of financial products specifically called 'health insurance' – financial products providing a unique benefit (or multiple benefits) to cover medical costs or health events, which pose a risk for an individual who is unable to afford a full medical scheme.

Because insurance companies typically insure individuals based on risk pooling, they are able to provide competitive prices on policy benefits. To hold a health insurance benefit, an individual will enter into an agreement with the insurance company by completing an application form – and then be underwritten (per rules of the insurance company) to assess the risk held for the insurer. What does this insurance speak mean? Simply put, the lower the risk the better for the client, as younger and low-risk individuals can enjoy a lower premium. But is this true for the trend we see with these policies in the marketplace? What we do see is that health insurance policies offer lower premiums and are competitive to premium prices when compared to medical schemes, especially for those wanting cover for medical costs or health events.

Health insurance benefits therefore open a gateway to provision of a need of cover for medical costs and/or health events

for individuals (policyholders). However, a policyholder can be a member to a medical scheme should such an individual require cover for specific medical costs or health events that the medical scheme might not necessarily fund or fund to a sub-minimum. Policyholders need to read the policy information carefully, as this contains the specifics as to the medical costs and/or health events covered and how payment will happen. In most instances, the benefit payout is directly to the policyholder.

While waiting on guidelines from the National Department of Health on LCBOs for medical schemes and further extension to the exemption on demarcation regulations on certain health insurance benefits provided by insurers, health insurance can be a credible discussion for individuals to have with their advisors so that medical costs/health event needs can be addressed with competitively priced financial products.

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