



country update: south africa

South Africa Country Update: Q3 2023

2023 has continued to be a tough year for South Africa with the Rand ZAR falling 14.69% to the Pound, 13.27% to the Euro and 7.56% to the USD year on year. This however has the upside of lowering the costs for Multinationals entering / or operating in South Africa, relative to the GBP / Euro and USD.

Medical Aid Contribution increases announcement – expectations:

South African medical schemes (Aid) differs in a number of ways to medical insurance found elsewhere in the world. The chief difference is that the scheme acts as a community fund and is not necessarily underwritten like insurance policies.

Medical scheme contributions are community rated in South Africa as it is a way to ensure that everyone has access to affordable healthcare. This means that all members of a medical scheme pay the same contribution, regardless of their age, health status, or occupation.

The scheme does however increase contributions yearly, with the effective date being the 1st day of the upcoming year. Medical schemes generally announces their expected increases September and October each year.

Once the percentage increase is confirmed, Tennant communicates these changes to all stakeholders, members and employers in the weeks following the announcements, allowing members to upgrade or downgrade their cover based on the medical and financial needs (members almost always have the choice of plan, with companies usually subsidising a fixed rate of the premiums).

Discovery Health's average annual increase for 2023 was 7.8%, which is lower than the average contribution increase rate for the 8 largest open medical schemes in South Africa. The average contribution increase rate for the 8 largest open medical schemes were 8.2%.

With medical inflation, consumer price inflation, exchange rates and other factors we expect these increases to be between 7.5% to 9% in 2024.

Proposed 2 Pot System:

The 2-pot system is a proposed legislative change to the current retirement fund system where members will be able to save one-third of their contributions in a "Savings Pot" that can be accessed throughout their career, while the remaining two-thirds of the contribution will be allocated to a "Retirement Pot" which will only become accessible upon retirement.

This system is expected to be implemented by 01 March 2024 and will only apply to future savings.

Please note that this communication is based on the draft legislation and explanatory notes released to date. We await the publication of final legislation and so the information contained in this communication is subject to change.



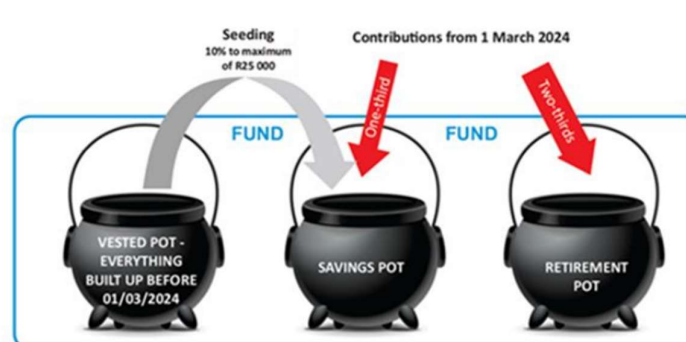
country update: south africa

Members who are age of 55/older on 01 March 2024 may be excluded from this system. It is expected that these members will be given the opportunity to 'opt in' to the Two Pot System should they wish to do so.

From 1 March 2024 all retirement contributions will be split into two pots:



All contributions made up until 29 February 2024 will be kept in a separate pot referred to as your Vested Pot. Members will be allowed to seed (transfer) 10% of this pot, up to a maximum of R25 000 to your Savings Pot:





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Proposed NHI (National Health Insurance) fund

NHI has been in the works in South Africa since 2003. Parliament has in June 2023 passed the Bill, this however does not mean NHI is going ahead anytime soon. The Bill acts as a foundation for setting up the NHI but is not in any way the final proposal. Government is ambitiously targeting 2026 for implementation, the financial services industry is expecting an 8 – 10 year delay on the implementation. It is worth noting that 2024 is an election year and much of the noise could be attributed to gaining political support in what is likely going to be a tightly contested election.

Benefit market trends & new developments

Tennant International is able to assist with new entrants into the South African market by providing services like business registration and outsourced HR and Payroll services. Additionally, we are able to assist employer groups as small as 1 member to member counts of well over 10,00 – Please feel free to contact either Jess or Nick.

Trends:

- General increase in disability claims (quite a few due to long-covid/post-covid symptoms and mental health related reasons). Insurers have also noted that even the temporary disability claims are being paid for a longer time than what they were pre-covid. This had led to a general rise in disability benefit premiums.
- General increase in critical illness claims as well as the severity of the claims. Cancer, cardiovascular and nervous system conditions account for the majority of the critical illness claims paid .
- Increasing digitisation of administrators. More administrators are increasing their use of technology so that both employers and members can do far more online. This means retirement fund members have access to a lot of information and can more easily monitor their funds' performance. Many administrators are pushing employers to only make use of their online portals for everything from monthly schedule uploads to exiting employees



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