

NAMIBIA FINANCIAL
INSTITUTIONS SUPERVISORY AUTHORITY

— Safeguarding the Nation's Wealth! —

July 10, 2003

Enquiries: E.U. Tjipepa

TO: NAMAF, MEDICAL AID FUNDS, MEDICAL AID FUND
ADMINISTRATORS AND THE HEALTHCARE CONSULTANTS/
ADVISORS

CIRCULAR LETTER: PI/MA/3/2003

AMENDMENTS TO CIRCULAR LETTER 7/2002 – Section 5 (Services and Fees)
AND CIRCULAR LETTER 4/2002 – Section 1 (1.2) (Composition and Election of
Board of Trustees

A. HEALTHCARE CONSULTANTS

With the implementation of the passed directives from this office, it has become important for us to re-evaluate the control mechanism with regard to the payments of Healthcare Consultants by medical aid funds and to consider some changes in this regard.

Kindly, take note of the following definition of gross premium for better understanding of the content of this circular:

- A **monthly gross premium** means the total of contributions paid by a member to a fund over a period of one month.
- **Annual gross premiums** means the total of a member(s) monthly gross premium(s) paid over a period of twelve months.

Your attention is further drawn to the following when contracting with Healthcare consultants:

1. Funds shall only remunerate healthcare consultants for the introduction of new member(s) to the fund at the rate of 3% of the sum of the gross premium(s) payable by all new member(s) introduced. This fee is payable only for the first twelve months of the gross premiums of the new member(s) to the fund provided that the new member(s) concerned during this period remained with the fund.

2. Healthcare consultants may contract directly with members of funds, including employer groups. The services to be rendered and the fees payable for the services must be agreed upon between the consultant and the member/ employer group. The fees payable will be for the account of the member/ employer group.
3. Healthcare consultants may directly contract with medical aid funds, *(provided that such a contract is approved by the Registrar of Medical Aid Funds)*. The services to be rendered and the fees payable for the services must be agreed upon between the consultant and the fund. *(Further, please take note this contract can only be valid when approved by the Registrar of Medical Aid Funds)*.
4. Healthcare consultants may not contract with the medical aid fund administrators, and the medical aid fund administrators may not contract with the healthcare consultants without the prior written approval of the Registrar of the Medical Aid Funds.
5. Healthcare Consultants are not allowed to provide administrative services to the medical aid funds and accordingly medical aid funds administrators are not allowed to provide healthcare consulting services to the medical aid funds.

All Board of Trustees of Medical Aid Funds are advised to review their contractual agreements with administrators *with object of excluding healthcare consulting related services with the administrators*, and to arrange for the exclusions of those services, if any, within thirty (30) days from the date of this circular.

Kindly take note that no payments in above regard may be paid by funds without the approval of the Registrar of Medical Aid Funds. Failure to obtain approval will lead to the Board of Trustees and the Principal Officer having to repay the amounts paid and will attract criminal prosecution in terms of the Act.

B. GUIDELINES FOR COMPOSITION AND ELECTION OF BOARD OF TRUSTEES

It has been observed that paragraph 1.2 (b) (c) of Circular Letter 4/2002 is contradicting the published Government Gazette No.2774 dated July 26, 2002 and should read as follows:

The following persons are not eligible to serve as members of the Board:

- 1.2 (b) A director, member, employee or other official of any organization serving as the administrator of that medical aid fund; or
- 1.2 (c) A director, member, employee, or other official of any organization rendering services to the administrator in connection with the business of such fund.

Your attention is further drawn to section 4(9) of the Medical Aid Funds Act, 1995 (Act No. 23 of 1995), that the practice of electing or appointing –

- (a) a director, member, employee or other official of any organization serving as the administrator of a registered medical aid fund; or

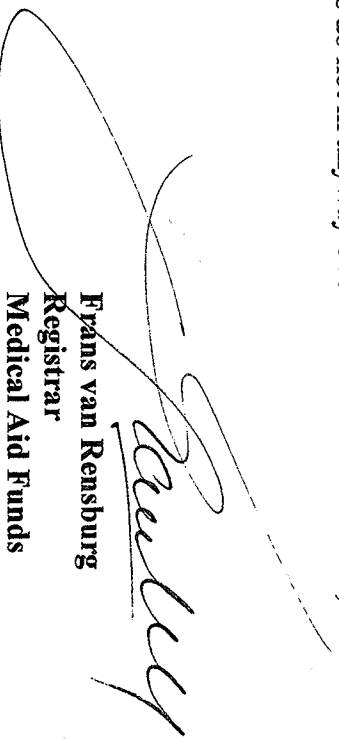
(b) a director, member, employee or other official of any organization rendering services to the administrator in connection with the business of such fund, to be a healthcare consultant of a registered medical aid fund as be declared as an irregular or undesirable practice.

We hereby determine that this circular shall come into effect on July 01, 2003. Please, not that the abovementioned amendments do not in anyway overwrite the said circulars; therefore they remain in effect.

Yours truly,



Marcelina Rioses
Deputy Registrar (GM)
Provident Institutions



Frans van Rensburg
Registrar
Medical Aid Funds