

DIRECTIVE

NO. : I/MAF/01/2025

**TO : PRINCIPAL OFFICERS OF REGISTERED MEDICAL AID FUNDS
TRUSTEES OF REGISTERED MEDICAL AID FUNDS
NAMIBIAN ASSOCIATION OF MEDICAL AID FUNDS**

DATE : 12 MARCH 2025

EFFECTIVE DATE : WITH IMMEDIATE EFFECT

SUBJECT : COMPLIANCE WITH THE MEDICAL AID FUNDS ACT: AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 AND SUBSEQUENT AUDITED ANNUAL FINANCIAL STATEMENTS

1. INTRODUCTION

1.1 This Directive is issued by virtue of the Namibia Financial Institutions Supervisory Authority's ("NAMFISA") functions and powers and those of its Chief Executive Officer in his capacity as the Registrar of Medical Aid Funds ("the Registrar") in terms of the Medical Aid Funds Act, 1995 (Act No. 23 of 1995) ("the MAF Act"), read with the Namibia Financial Institutions Supervisory Authority Act, 2001 (Act No. 3 of 2001).

1.1 Following the implementation of IFRS 17, the Registrar observed that the medical aid funds reclassified accumulated surpluses from equity to liabilities in the Annual Financial Statements (“AFS”) for the financial year ending 31 December 2023. The Registrar further observed that surpluses and deficits were disclosed as zero in the Statement of Other Comprehensive Income in the AFS for the financial year ending 31 December 2023.

1.3 The purpose of this Directive is to provide clarity to the medical aid fund industry (“MAF industry”) on the non-compliance with section 30(1)(d) of the MAF Act, due to the classification of accumulated surpluses as liabilities in the 2023 AFS and the non-compliance with section 33(4)(b) of the MAF Act, due to the disclosure of a zero surplus or deficit in the AFS.

2. COMPLIANCE WITH THE MEDICAL AID FUNDS ACT

2.1 Section 30(1)(d) of the MAF Act stipulates that:

“Every registered fund shall have rules in which provision shall be made that no portion of any surplus realized by the fund in any financial year may be distributed to its members or any other persons.”

2.2 Section 33(4)(b) of the MAF Act provides that:

“The annual financial statements shall fairly present the state of affairs and the business of the fund and the results thereof at the end of the financial year concerned and the surplus or deficiency of the fund for that financial year.”

2.3 The reclassification of accumulated surpluses from equity to liabilities in the AFS may be justified for IFRS 17 financial reporting purposes. However, it does not comply with section 30(1)(d) of the MAF Act, as no portion of any surplus realized

by a medical aid fund in any financial year may be distributed to its members or any other persons.

2.4 For a liability to exist, three criteria must all be satisfied:

2.4.1 The entity has an obligation;

2.4.2 The obligation is to transfer an economic resource; and

2.4.3 The obligation is a present obligation that exists as a result of past events.

2.5 By classifying accumulated surpluses as liabilities, the medical aid funds imply that there is an obligation to transfer economic resources to another party, i.e., the members of the medical aid fund. This reclassification leads the Registrar to reasonably infer that the reserves of the medical aid fund may be distributed to its members, which would be contrary to section 30(1)(d) of the MAF Act.

2.6 While AFS may comply with IFRS 17 for financial reporting purposes, the disclosure of zero surplus or deficit in the Statement of Surplus or Deficit and Other Comprehensive Income of the medical aid funds' AFS is not aligned with section 33(4)(b) of the MAF Act. This is owing to the fact that such AFS do not fairly present the state of affairs of the business of the medical aid fund and the results thereof at the end of the financial year concerned and the surplus or deficiency of the fund for that financial year.

2.7 It is crucial to highlight that IFRS 17 does not supersede the MAF Act, which medical aid funds are subject to.

3. THE DIRECTIVE

3.1 On the basis of the above, the Registrar hereby directs:

3.1.1 All medical aid funds to ensure that the AFS for the year ended 31 December 2024, which are due for submission on or before 30 June 2025, and all subsequent AFS are prepared in compliance with the MAF Act and more specifically that the AFS:

3.1.1.1 Fairly present the state of affairs and the business of the fund and the results thereof at the end of the financial year concerned and the surplus or deficiency of the fund for that financial year; and

3.1.1.2 Do not disclose accumulated surpluses as liabilities.

3.2 Medical aid funds are further directed to correct the comparative figures to be presented in the AFS for the year ended 31 December 2024 in accordance with paragraphs 3.1.1.1 and 3.1.1.2 above. The figures pertaining to the 2023 financial year must be corrected in the 2024 AFS so as to ensure that the figures for both the 2023 and 2024 financial years are compliant with the MAF Act.

We trust that all registered medical aid funds will give their full cooperation to ensure effective compliance with the above.

For further information or clarification on this Directive, please do not hesitate to contact Mr. Louis Potgieter at telephone number (061) 290 5213 or via e-mail at lpotgieter@namfisa.com.na.



KENNETH S. MATOMOLA
REGISTRAR OF MEDICAL AID FUNDS