

GOVERNMENT NOTICE

MEDICAL AID FUNDS

NAMIBIA FINANCIAL INSTITUTIONS SUPERVISORY AUTHORITY

No. X

2018

STANDARDS MADE UNDER THE FINANCIAL INSTITUTIONS AND MARKETS ACT, 2018

The Namibia Financial Institutions Supervisory Authority has under section 410(8) of the Financial Institutions and Markets Act, 2018 (Act No. X of 2018), made the Standards set out in the Schedule.

Gersom Katjimune
Chairperson

Windhoek,

2018

DRAFT STANDARD

REQUIREMENTS FOR THE REPORT OF THE VALUATOR OF A MEDICAL AID FUND WITH
RESPECT TO THE CURRENT FINANCIAL POSITION OF THE FUND AND ITS PROJECTED
FINANCIAL SOUNDNESS.

NAMIBIA FINANCIAL INSTITUTIONS SUPERVISORY AUTHORITY

Standard No: MAF.S.7.10

FINANCIAL INSTITUTIONS AND MARKETS ACT, 2018 [Act No. • of 2018]

Requirements for the report of the valuator of a medical aid fund with respect to the current financial position of the fund and its projected financial soundness

Standard No. MAF.S.7.10

issued by NAMFISA under section 410(8)(g) of the Financial Institutions and Markets Act, 2018

Definitions

1. (1) In this Standard—
 - (a) “Act” means the *Financial Institutions and Markets Act, 2018* [Act No. • of 2018], and includes the regulations prescribed under the Act and the standards and other subordinate measures issued by NAMFISA under the Act; and
 - (b) “IBNR” in relation to claims against a medical aid fund means claims Incurred But Not Reported.
- (1) Words and phrases defined in the Act have the same meaning in this Standard, unless the context indicates otherwise, including without limitation, the following:
 - (a) ‘valuator’, as defined in section 1 of the Act;
 - (b) as defined in section 321 of the Act—
 - (i) fund;
 - (ii) medical aid fund; and
 - (iii) rules.

Applicability

2. This Standard applies to all medical aid funds registered under the Act.

Reporting requirements

3. The valuator must adhere to the following reporting requirements with respect to its report regarding the financial position of the fund:
 - (a) the report must specify the medical aid fund and the purpose of the report and it should include:
 - (i) sources of data and outcome of reasonability checks;
 - (ii) analysis of data and experience;
 - (iii) discussion on the benefit structure of the fund;
 - (iv) analysis of the membership profile and growth;
 - (v) assumptions employed, as well as how each of the major assumptions were derived;
 - (vi) if pricing is defined to be on a breakeven basis, it should be disclosed explicitly; and
 - (vii) whether pricing is on the basis of current membership and/or to maintain reserving level in accordance with the specified reserving strategy.
 - (b) discussion on the benefit changes or scenarios considered by the fund, especially where these were recommended by the valuator;
 - (c) analysis of adequacy and sustainability of contributions;
 - (d) impact on solvency;
 - (e) identification of risk areas (sensitivity tests);
 - (f) disclosure of discounts/rebates and risk loadings and how these were derived; and
 - (g) actuarial opinions and recommendations, including, where the contributions decided by the fund would not result in an adequate level of funding, the valuator needs to highlight that higher than usual contributions or benefit reductions will likely be required in future years.

4. The valuator of a medical aid fund must present the current financial position of the fund and its projected financial soundness going forward, which must include, but is not limited to-
 - (a) data sources and validation conducted;
 - (b) a list of the assumptions used;
 - (c) the reasoning behind the assumptions used;
 - (d) how and why deviations in the assumptions and data were or were not allowed for;
 - (e) the methodology used, including any changes that have occurred since the previous valuation;
 - (f) the reasoning behind the process and method chosen as well as quantification of results; and
 - (g) the details around the sensitivity analysis performed.
5. The valuator must consider which aspects are material to the interpretation of the IBNR valuation and disclose these aspects in his or her final report.
6. The valuator must perform a sensitivity analysis to indicate to the medical aid fund the possible variations in the IBNR provision should actual experience turn out different to the original assumptions, by—
 - (a) identifying the likelihood or probability that the IBNR will be sufficient and by explaining the reasons why, or the events that could occur to cause the IBNR to be insufficient;
 - (b) changing the IBNR assumptions, parameters and the IBNR method of calculation itself, so as to ascertain the sensitivity of the IBNR provision; and
 - (c) commenting on trends and their impact as part of the sensitivity analysis.