

**GOVERNMENT NOTICE**

**MEDICAL AID FUNDS**

**NAMIBIA FINANCIAL INSTITUTIONS SUPERVISORY AUTHORITY**

**No. X**

**2021**

**STANDARDS MADE UNDER THE FINANCIAL INSTITUTIONS AND MARKETS  
ACT, 2021**

The Namibia Financial Institutions Supervisory Authority has under section 410(8) of the Financial Institutions and Markets Act, 2021 (Act No. 2 of 2021), made the Standards set out in the Schedule.

**Gersom Katjimune**  
**Chairperson**

**Windhoek,**

**2021**

FINANCIAL INSTITUTIONS AND MARKETS ACT, 2021 [Act No. 2 of  
2021]

DRAFT STANDARD

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REQUIREMENTS THE ANNUAL REPORT OF A MEDICAL AID FUND

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NAMIBIA FINANCIAL INSTITUTIONS SUPERVISORY AUTHORITY

**Standard No: MAF.S.7.12**

**FINANCIAL INSTITUTIONS AND MARKETS ACT, 2021 [Act No. 2 of 2021]**

**Requirements for the annual report of a medical aid fund**

**Standard No. MAF.S.7.12**

*issued by NAMFISA under section 410(8)(m) of the Financial Institutions and Markets Act, 2021*

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**Definitions**

1. (1) In this Standard, “Act” means the *Financial Institutions and Markets Act, 2021* [Act No. 2 of 2021], and includes the regulations prescribed under the Act and the standards and other subordinate measures issued by NAMFISA under the Act; and
- (2) “pensioner” means members older than 60 years of age as at their last birthday, and “retired member” will have the same meaning.
- (3) Words and phrases defined in the Act have the same meaning in this Standard, unless the context indicates otherwise, including without limitation, the following as defined in section 321 of the Act—
  - (a) board of trustees;
  - (b) fund;
  - (c) fund administrator;
  - (d) medical aid fund; and
  - (e) rules.

**Applicability**

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

## Annual report

3. The annual report of a medical aid fund to NAMFISA must be in the form similar to Schedule 1 to this Standard and must—
  - (a) be prepared by or under the supervision of the board, approved by the chairperson of the board of the medical aid fund and submitted to NAMFISA by the board in both written and electronic form, together with the annual financial statements;
  - (b) include the following, insofar as the following is not already included in the annual financial statements of the fund:
    - (i) a high-level summary of the activities of the board during the year under review;
    - (ii) a summary of all actions of a legal nature to which the fund was a party, or a statement that there are none to report;
    - (iii) a summary of any amendments to the rules of the fund made during the year under review;
    - (iv) a summary of all policies of the fund that have been documented and approved by the board and that are in force (e.g. investment policy, funding policy, risk management policy, administrative policy etc.) and of any material changes to those policies during the year under review;
    - (v) a summary of the key financial data reported on by the auditor and a commentary on the results of the fund's operations during the year under review (contributions received, investment income accrued, gross and net rate of return earned on the fund's portfolio, benefits paid, net increase or decrease in the fund);
    - (vi) a brief analysis of the fund's gains and losses during the year under review;
    - (vii) a summary of the changes in the fund's membership (principal members, dependants and retired members/pensioners) during the year under review;

- (viii) a high-level summary of the fund's administrative activities during the year under review;
- (ix) a description of any special events that occurred during the year (e.g. mergers or sales of business that impacted the fund, discontinuation of business segments producing partial fund termination);
- (x) financial ratios relating to the statement of financial position;
- (xi) financial ratios relating to the consolidated statement of comprehensive income;
- (xii) notes to the management accounts/annual financial statements; and
- (xiii) detailed investment schedule, including compliance testing of the investments held related to the allowable investment types.

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## **SCHEDULE 1**

### **Form of an Annual report of a Medical Aid Fund**

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## **1. Introduction**

This guideline is intended to provide a general idea of what an Annual report of a Medical Aid Fund should entail. It should be noted that the Annual report of a Medical Aid Fund prepared by the administrator or the Board of Trustees do not have to precisely match this guideline. Nevertheless, all due care should be taken when preparing the Annual report of a Medical Aid Fund to ensure that sufficient and relevant information is provided to the users of the Annual report of a Medical Aid Fund.

Supporting schedules such investment compliance can be a separate attachment to the Annual report of a Medical Aid Fund

## **2. Executive summary**

The executive summary should provide a broad overview of the fund's operations. It should relay pertinent information in order to afford the members and stakeholders a clear view of what occurred during the annual period under review.

### 3. Statement of financial position

As at dd/mm/yyyy

| Current year |        | Previous year |
|--------------|--------|---------------|
| Actual       | Budget | Actual        |

#### ASSETS

##### Non-current assets

Property, plant & equipment (specify)

Investment property

Investments

Other non-current assets (specify)

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##### Current assets

Inventories

Trade and other receivables

Investments

Cash and cash equivalents

Medical savings and other trust assets

Other current assets (specify)

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##### Total assets

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#### FUNDS AND LIABILITIES

##### Members' Funds

##### Accumulated funds

Revaluation reserve - investments

Revaluation reserve - property, plant & equipment(if applicable)

Reserves set aside for specific purposes (specify)

Other reserves (specify)

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##### Non-current liabilities

Borrowings

Other non-current liabilities (specify)

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##### Current liabilities

Outstanding claims provision

Trade and other payables

Other current liabilities (specify)

Medical savings and other trust liabilities

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##### Total funds and liabilities

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#### 4. Ratios – statement of financial position

As at dd/mm/yyyy

**Note:** Ratios should be calculated excluding medical savings account trust assets and liabilities

| Current year |        | Previous year |
|--------------|--------|---------------|
| Actual       | Budget | Actual        |

Accumulated reserves as a % of annualised gross contributions (solvency ratio)

Total assets: total liabilities (norm 2:1)

Current assets/ current liabilities (norm 1:1)

Average trade and other receivables days outstanding  
(*Outstanding trade and other receivables / annualised gross contribution \* no of days*)

Average trade and other payables days outstanding  
(*Outstanding trade and other payables / annualised risk claims incurred \* no of days*)

Claims paying ability  
(*Cash & cash equivalents + short term investments / (gross claims) \* no of months*)

Reserves per member

Under/ Over provision of IBNR as a % of IBNR

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**NB:** The above ratios are illustrative only. The fund must use ratios which are suitable for their circumstances.

## 5. Consolidated statement of comprehensive income

For the period ended dd/mm/yyyy

|  | Current year |        | Previous year |           |
|--|--------------|--------|---------------|-----------|
|  | Actual       | Budget | Actual YTD    | Full year |
| <b>Risk contribution income</b>                                  |              |        |               |           |
| <b>Relevant healthcare expenditure</b>                           |              |        |               |           |
| Net claims incurred  |              |        |               |           |
| Risk claims incurred   |              |        |               |           |
| Third party claims recoveries                                    |              |        |               |           |
| Net income/expense on risk transfer arrangements                 |              |        |               |           |
| Risk transfer arrangement fees/ premiums paid                    |              |        |               |           |
| Recoveries from risk transfer arrangements                       |              |        |               |           |
| Profit/ (loss) share arising from risk transfer arrangements     |              |        |               |           |
| <b>Gross healthcare result</b>                                   |              |        |               |           |
| Net income/ (expense) on commercial reinsurance(If               |              |        |               |           |
| Commercial reinsurance premiums paid                             |              |        |               |           |
| Recoveries from commercial reinsurance                           |              |        |               |           |
| Profit/ (loss) share arising from commercial reinsurance         |              |        |               |           |
| Managed care: management services                                |              |        |               |           |
| Broker service fees( If appropriate)                             |              |        |               |           |
| Administration expenses  |              |        |               |           |
| Net impairment losses on healthcare receivables                  |              |        |               |           |
| <b>Net healthcare result</b>                                     |              |        |               |           |
| <b>Other income</b>  |              |        |               |           |
| Investment income  |              |        |               |           |
| Income from use of own facilities by external parties            |              |        |               |           |
| Sundry income  |              |        |               |           |
| <b>Other expenditure</b>   |              |        |               |           |
| Asset management fees  |              |        |               |           |
| Cost incurred in provision of own facilities to external parties |              |        |               |           |
| Interest paid on medical savings accounts                        |              |        |               |           |
| Sundry expenses  |              |        |               |           |
| <b>Net surplus/ (deficit ) for the year</b>                      |              |        |               |           |
| <b>Other comprehensive income</b>                                |              |        |               |           |
| Fair value adjustment on available for sale investments          |              |        |               |           |
| Reclassification adjustment*                                     |              |        |               |           |
| Land and buildings revaluation                                   |              |        |               |           |
| <b>Total comprehensive income for the year</b>                   |              |        |               |           |

\*The reclassification adjustment relates to gain/loss on sale of available-for-sale investments which is taken to the statement of comprehensive income within "Investment income"

Note: Any other individual line items are to be disclosed separately on the face of the statement of comprehensive income and not in sundry income or expense, following the same 'by function' classification.

## 6. Ratios – consolidated statement of comprehensive income

For the period ended dd/mm/yyyy

| Annual periods          |                                |                          |
|-------------------------|--------------------------------|--------------------------|
| Current year<br>N\$'000 | Budget current year<br>N\$'000 | Previous year<br>N\$'000 |

### NUMBER OF:

Members

Dependants

Beneficiaries

Average members

Average beneficiaries

Average age

Pensioner ratio

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### RATIOS

Gross contributions per average beneficiary per month

Risk contribution income per average beneficiary per month

Net relevant healthcare expenditure incurred per average beneficiary per month

Non-healthcare expenditure per average beneficiary per month

Administration expenses per average beneficiary per month

Net relevant healthcare expenditure incurred as % of risk contribution income

Non-healthcare expenditure as % of risk contribution income

Administration expenses as a % of risk contribution income

Net surplus/(deficit) for the year as % of risk contribution income

Investment income as % of risk contribution income

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## 7. Monthly cash flow statement (full annual year by month)

**Total year**

**Cash flows from operating activities**

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| Cash receipts from members                             |  |
| Cash paid to providers and members                     |  |
| Cash generated from operations                         |  |
| Interest paid  |  |
| Other (specify)  |  |
| <b>Net cash from/(used in) in operating activities</b> |  |

**Cash flows from investing activities**

|  |  |
|--|--|
| Purchase of property, plant and equipment              |  |
| Proceeds from disposal of property, plant              |  |
| Purchase of investment property                        |  |
| Proceeds on disposal of investment property            |  |
| Purchase of investments                                |  |
| Proceeds on disposal of investments                    |  |
| Interest received                                      |  |
| Dividend received                                      |  |
| Rentals received                                       |  |
| Other (specify)  |  |
| <b>Net cash from/(used in) in investing activities</b> |  |

**Cash flows from financing activities**

|  |  |
|--|--|
| (Repayments)/increase in borrowings                    |  |
| Other (specify)  |  |
| <b>Net cash from/(used in) in financing activities</b> |  |

**Net increase in cash and cash equivalents**

|   |  |
|---|--|
| Cash and cash equivalents at the beginning of |  |
|---|--|

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| <b>Cash and cash equivalents at the end of the</b> |  |
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Note: It will add value if this schedule could be compared to the previous year's forecast, or a separate forecast schedule.



## 8. Statement of changes in members' funds

For the period ended *dd/mm/yyyy*

| Accumulated funds | Available for sale financial assets | Revaluation reserve investments | Revaluation reserves (PPE) | Reserves set aside for specific purposes | Other reserves | Total members funds |
|-------------------|-------------------------------------|---------------------------------|----------------------------|--|----------------|---------------------|
| N\$'000           | N\$'000                             | N\$'000                         | N\$'000                    | N\$'000                                  | N\$'000        | N\$'000             |

Balance at the beginning of the period (1 January yyyy)

– As previously reported

– Prior period adjustment

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Total comprehensive income

Transfer to/(from) accumulated funds

– Due to amalgamation

– Due to re-measurement

– Other transfers

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Transfer (to)/from reserves

Other (specify)

**Balance at the end of the period**

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**9. Periodic consolidated statement of COMPREHENSIVE INCOME (may not be required)**

*For the period ended dd/mm/yyyy*

|  | <b>Q1</b>      | <b>Q2</b>      | <b>Q3</b>      | <b>Q4</b>      | <b>Actual</b>  | <b>Budget</b>  |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
|  | <b>N\$'000</b> | <b>N\$'000</b> | <b>N\$'000</b> | <b>N\$'000</b> | <b>Year</b>    | <b>Year</b>    |
|  |                |                |                |                | <b>N\$'000</b> | <b>N\$'000</b> |
| <b>Risk contribution income</b>                                  |                |                |                |                |                |                |
| <b>Relevant healthcare expenditure</b>                           |                |                |                |                |                |                |
| Net claims incurred  |                |                |                |                |                |                |
| Risk claims incurred   |                |                |                |                |                |                |
| Third party claims recoveries                                    |                |                |                |                |                |                |
| Net income/expense on risk transfer arrangements                 |                |                |                |                |                |                |
| Risk transfer arrangement fees/ premiums paid                    |                |                |                |                |                |                |
| Recoveries from risk transfer arrangements                       |                |                |                |                |                |                |
| Profit/ (loss) share arising from risk transfer arrangements     |                |                |                |                |                |                |
| <b>Gross healthcare result</b>                                   |                |                |                |                |                |                |
| Net income/ (expense) on commercial reinsurance(If               |                |                |                |                |                |                |
| Commercial reinsurance premiums paid                             |                |                |                |                |                |                |
| Recoveries from commercial reinsurance                           |                |                |                |                |                |                |
| Profit/ (loss) share arising from commercial reinsurance         |                |                |                |                |                |                |
| Managed care: management services                                |                |                |                |                |                |                |
| Broker service fees( If appropriate)                             |                |                |                |                |                |                |
| Administration expenses  |                |                |                |                |                |                |
| Net impairment losses on healthcare receivables                  |                |                |                |                |                |                |
| <b>Net healthcare result</b>                                     |                |                |                |                |                |                |
| <b>Other income</b>  |                |                |                |                |                |                |
| Investment income  |                |                |                |                |                |                |
| Income from use of own facilities by external parties            |                |                |                |                |                |                |
| Sundry income  |                |                |                |                |                |                |
| <b>Other expenditure</b>   |                |                |                |                |                |                |
| Asset management fees  |                |                |                |                |                |                |
| Cost incurred in provision of own facilities to external parties |                |                |                |                |                |                |
| Interest paid on medical savings accounts                        |                |                |                |                |                |                |
| Sundry expenses  |                |                |                |                |                |                |

**Net surplus/ (deficit ) for the year**

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**Other comprehensive income**

Fair value adjustment on available for sale investments  
 Reclassification adjustment\*  
 Land and buildings revaluation

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**Total comprehensive income for the year**

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\*The reclassification adjustment relates to gain/loss on sale of available-for-sale investments which is taken to the statement of comprehensive income within “Investment income”.

**Note:** Any other individual line items are to be disclosed separately on the face of the statement of comprehensive income and not in sundry income or expense, following the same ‘by function’ classification.

This schedule can also be done by quarters or for the full 12 months by month.

**10. Periodic statement of comprehensive income PER OPTION (may not be required)**

*For the period ended dd/mm/yyyy*

**Provide information for every fund option.**

| <b>Q1</b>      | <b>Q2</b>      | <b>Q3</b>      | <b>Q4</b>      | <b>Actual</b>  | <b>Budget</b>  |
|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>N\$'000</b> | <b>N\$'000</b> | <b>N\$'000</b> | <b>N\$'000</b> | <b>Year</b>    | <b>Year</b>    |
| <b>N\$'000</b> | <b>N\$'000</b> | <b>N\$'000</b> | <b>N\$'000</b> | <b>N\$'000</b> | <b>N\$'000</b> |

**Risk contribution income**

**Relevant healthcare expenditure**

Net claims incurred  
 Risk claims incurred  
 Third party claims recoveries  
 Net income/expense on risk transfer arrangements  
 Risk transfer arrangement fees/ premiums paid  
 Recoveries from risk transfer arrangements  
 Profit/ (loss) share arising from risk transfer arrangements

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**Gross healthcare result**

Net income/ (expense) on commercial reinsurance(If  
 Commercial reinsurance premiums paid

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| Recoveries from commercial reinsurance                           |  |  |  |  |  |  |
| Profit/ (loss) share arising from commercial reinsurance         |  |  |  |  |  |  |
| Managed care: management services                                |  |  |  |  |  |  |
| Broker service fees( If appropriate)                             |  |  |  |  |  |  |
| Administration expenses  |  |  |  |  |  |  |
| Net impairment losses on healthcare receivables                  |  |  |  |  |  |  |
| <b>Net healthcare result</b>                                     |  |  |  |  |  |  |
| <b>Other income</b>  |  |  |  |  |  |  |
| Investment income  |  |  |  |  |  |  |
| Income from use of own facilities by external parties            |  |  |  |  |  |  |
| Sundry income  |  |  |  |  |  |  |
| <b>Other expenditure</b>   |  |  |  |  |  |  |
| Asset management fees  |  |  |  |  |  |  |
| Cost incurred in provision of own facilities to external parties |  |  |  |  |  |  |
| Interest paid on medical savings accounts                        |  |  |  |  |  |  |
| Sundry expenses  |  |  |  |  |  |  |
| <b>Net surplus/ (deficit ) for the year</b>                      |  |  |  |  |  |  |
| <b>Other comprehensive income</b>                                |  |  |  |  |  |  |
| Fair value adjustment on available for sale investments          |  |  |  |  |  |  |
| Reclassification adjustment*                                     |  |  |  |  |  |  |
| Land and buildings revaluation                                   |  |  |  |  |  |  |
| <b>Total comprehensive income for the year</b>                   |  |  |  |  |  |  |

\*The reclassification adjustment relates to gain/loss on sale of available-for-sale investments which is taken to the statement of comprehensive income within “Investment income”.

**Note:** Any other individual line items are to be disclosed separately on the face of the statement of comprehensive income and not in sundry income or expense, following the same ‘by function’ classification.

## 11. Ratios – periodic statement of comprehensive income PER OPTION

For *the* *period* ended *dd/mm/yyyy*  
 Provide information for every option for the full period

| Current year |         | Previous year |         |
|--------------|---------|---------------|---------|
| Actual       | Budget  | Actual        | Budget  |
| N\$'000      | N\$'000 | N\$'000       | N\$'000 |

### NUMBER OF:

Members

Dependants

Beneficiaries

Average members

Average beneficiaries

Average age

Pensioner ratio

Family size

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### RATIOS

Gross contributions per average beneficiary per month

Risk contribution income per average beneficiary per month

Net relevant healthcare expenditure incurred per average beneficiary per month

Non-healthcare expenditure per average beneficiary per month

Administration expenses per average beneficiary per month

Net relevant healthcare expenditure incurred as % of risk contribution income

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Non-healthcare expenditure as % of risk contribution income  
 Administration expenses as a % of risk contribution income  
 Net surplus/(deficit) for the year as % of risk contribution income  
 Investment income as % of risk contribution income  
 (Under)/over provision of IBNR as a % of IBNR

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## 12. Notes to the annual report

In the event that the fund manages savings plan monies on behalf of its members, the following notes should be included:

|   | <b>Current<br/>year<br/>N\$'000</b> | <b>Previous<br/>year<br/>N\$'000</b> |
|---|-------------------------------------|--------------------------------------|
| <b>1. Medical savings account trust monies managed by the fund on behalf of its members</b>               |                                     |                                      |
| Balance of medical savings account trust liability at the beginning of the year                           |                                     |                                      |
| Add: Savings account contributions received   |                                     |                                      |
| Interest and other income earned on trust monies invested   |                                     |                                      |
| Less: Claims paid on behalf of members  |                                     |                                      |
| Refunds on death or resignation   |                                     |                                      |
| Bank charges and investment management fees incurred  |                                     |                                      |
| Balances due to members on savings account balances held in trust at the end of the year                  |                                     |                                      |
| <b>2. Investment of medical savings account trust monies managed by the fund on behalf of its members</b> |                                     |                                      |
| Bank account  |                                     |                                      |
| Fixed deposits  |                                     |                                      |

Total medical savings account trust monies invested

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**3. Risk contribution income**

Gross contributions per registered rules

Less: Savings contributions received\*

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Risk contribution income per statement of comprehensive income

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\* The savings plan contributions are received by the fund in terms of contributions and fund's registered rules and held in trust on behalf of its members. Refer to note 1 to the annual report for more detail on how these monies were utilised.

**4. Investment income**

Realized through sale

Unrealised

Income (Dividends, Interest)

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**13. Variances**

A brief explanation should be given for the major differences between actual and budgeted figures on a consolidated and per option level. An explanation is preferable for all variances of more than 10%.

**14. Graphs and tables**

Graphs and tables are suggested to enable users of the statements, especially NAMFISA, members and trustees, to distinguish at a glance the most important performance and statistical indicators.

Most of these indicators will appear in the financial statements, this annual report, notes or ratios, but they are easier to summarise and understand when it is presented graphically.

It might be useful to compare the monthly and cumulative figures and ratios with not only the previous period, but also with the budget.

The following list is not exhaustive and is merely an example of what could be presented in the monthly management accounts to ensure that the Board of Trustees is making informed decisions. They are recorded in the sections above of the annual report of the fund:

#### *Membership*

- The average age and pensioner ratio of beneficiaries per benefit option.
- The chronic distribution of beneficiaries.
- Analysis of member movement (e.g. reason(s) given by members for leaving the fund: death, new employment, etc.).
- A graph depicting the number of members per month for current year, previous year and budget.

#### *Non-healthcare expenditure*

- A graph of the total non-healthcare expenditure as a percentage of risk contribution income per month.
- A graph of the non-healthcare expenses per average beneficiary per month.
- Details on contractual administration and managed care: managed services fees payable.

#### *Underwriting performance*

- A graph of the total contributions per member per month, compared to benefit costs per member per month. A moving 12-month average can also be depicted.
- A graph of claims paid as a percentage of risk contribution income per month. This should also be compared with previous periods. This could also be depicted on a per member per month basis.
- A graph of the operating results as a percentage of risk contribution income.

#### *Claims/benefits*

- A pie chart of benefits paid by category i.e. hospitals, medicines, specialists etc. A comparison with previous periods and other funds or industry averages, if available, is useful.
- A list of the highest claims by category, compared to previous periods.
- A table of the average claims cost per member, by category of service, compared to previous periods.
- Analysis of claims paid aged over service dates. For each month's claims paid indicate the percentage of previous month's claims paid in current month, as well as the percentage claims paid relating to the current month.

- Comparison of actual claims paid with the monthly IBNR provision.
- Chronic utilisation of beneficiaries.
- A table reflecting a split of non-PMB and PMB claims for the current year, as well as previous year.
- Analysis of savings claims paid.

*Other indicators*

## 15. Detailed investment schedule

This can be a separate schedule.

The investment schedule should be completed per individual investment. It is important to provide the market values of all the underlying assets of all policies of insurance and collective investment funds (i.e. unit trust, wrap funds, funds of funds etc.).

| Institution | Type of investment | Date invested | Interest rate | Opening balance at market value | Dividends & interest capitalised | Market value adjustment | Closing balance at market value |
|-------------|--------------------|---------------|---------------|---------------------------------|----------------------------------|-------------------------|---------------------------------|
|             |                    |               |               |                                 |                                  |                         |                                 |
|             |                    |               |               |                                 |                                  |                         |                                 |
|             |                    |               |               |                                 |                                  |                         |                                 |

## 16. Annexure covering compliance testing in terms of Standard MAF.S.7.3 and Regulation MAF.R.7.2

The schedule below needs to be completed to ensure that the limitations on assets as per Annexure B are being complied with.

| Annexure B item | Category or kinds of asset<br>Reflect each of the asset classes as defined in the appropriate Standard | Description | Market value (R) | % Market value | Maximum % of aggregate fair value of liabilities and the minimum accumulated funds to be maintained in terms of Standard MAF.S.7.3 and Regulation MAF.R.7.2 | Comment (i.e. compliant/ Non-compliant state reasons). |
|-----------------|--|-------------|------------------|----------------|---|--|
|                 |  |             |                  |                |   |  |
|                 |  |             |                  |                |   |  |
|                 |  |             |                  |                |   |  |

**Explanatory notes and conditions covering compliance testing:** These notes must align to the Standard covering the kinds of assets types allowed and the required limitation on the % allowed too in the appropriate Standard and regulations applicable