



Reference: IFRS 17
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Circular 6 of 2021: IFRS 17 survey results and CMS monitoring tools

The Council for Medical Schemes conducted a survey to assess the readiness of schemes to apply International Financial Reporting Standards (IFRS) 17 *Insurance Contracts*. The results of this survey are discussed below.

Number of responses received

The survey was completed by 48 individual schemes: 10 open schemes and 38 restricted schemes.

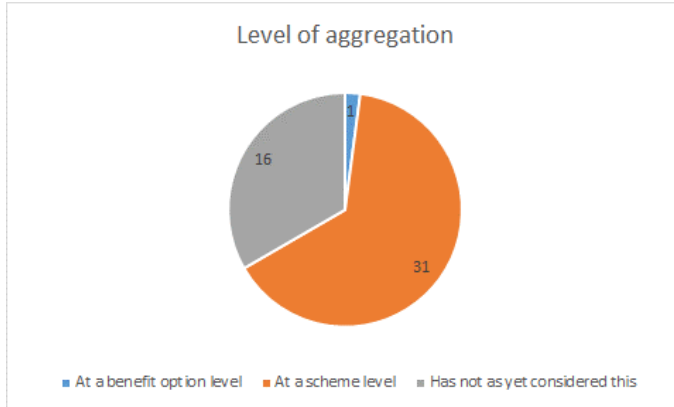
These schemes represent 75.6% of the number of medical schemes beneficiaries as at 31 December 2019 (open scheme beneficiaries: 73.6%; restricted scheme beneficiaries: 78.1%).

Recognition pattern

The following four medical schemes would need to consider the pattern of the release of their risk as either the benefit years are from 1 July to 30 June or the repricing of products occur mid-year (i.e. mid-year contribution increase): Glencore Medical Scheme, Imperial and Motus Medical Aid, Massmart Health Plan, and Old Mutual Staff Medical Aid Fund.

Schemes whose benefit year also differs from its accounting year would also need to consider the unexpired risk portion as at 31 December (i.e. the liability for the remaining coverage).

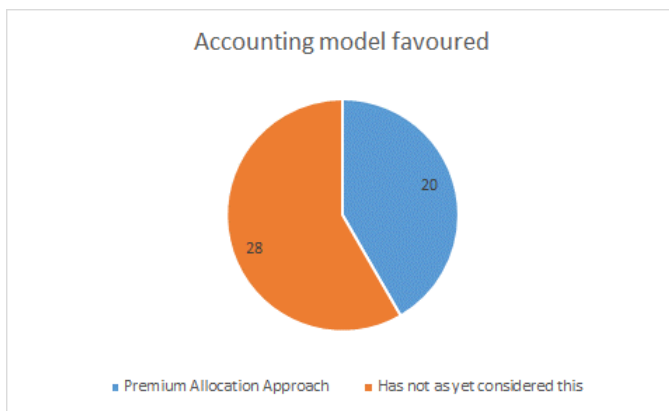
Level of aggregation



One medical scheme responded that the scheme considers the portfolio to be at a benefit option level.

64.6% of the respondents are of the opinion that the portfolio will be assessed at a scheme level.

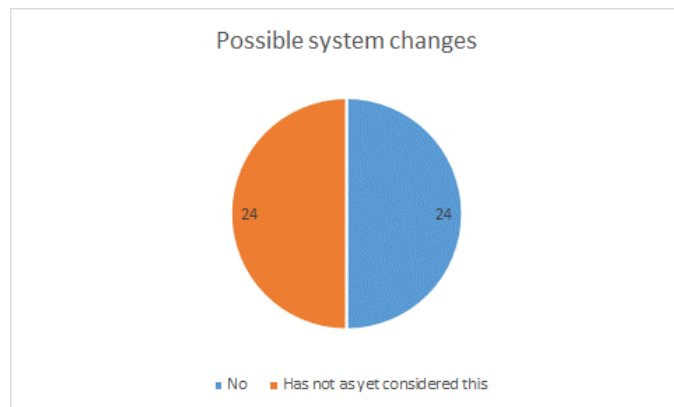
Accounting model favoured



The majority of respondents have not yet decided which accounting model they would be applying.

Of those schemes who have already applied their minds to this question, a distinct preference for the premium allocation approach was displayed.

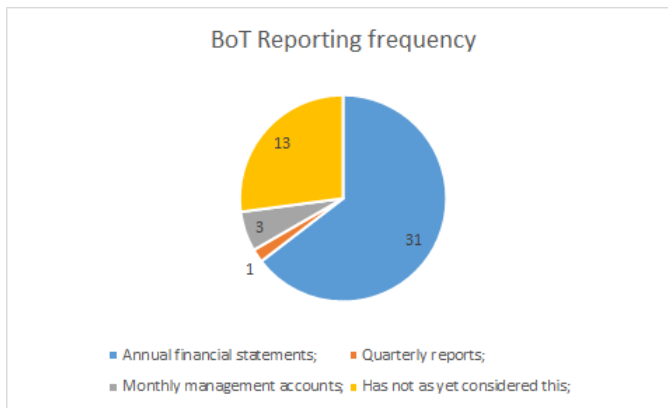
System changes



Schemes were requested to consider whether any system changes would be necessary to facilitate their IFRS 17 implementation.

24 respondents indicated that no changes would be necessary, whilst the other half had not yet considered the effect of the IFRS 17 implementation on their systems.

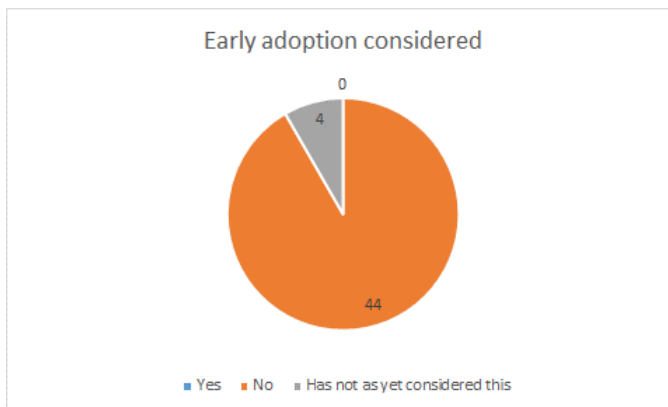
Reporting frequency



64.6% of the respondents will only be reporting their IFRS 17 numbers to their respective Board of Trustees on an annual basis. One respondent will report on these figures on a quarterly basis, and three respondents will be reporting monthly.

13 respondents have not as yet considered the IFRS 17 implications on their reporting.

Early adoption



91.7% of the respondents indicated that they will not early adopt IFRS 17.

CMS has considered the implications of IFRS 17 on its regulatory required submissions:

- **Real Time Monitoring and Quarterly Returns**
Both the Real Time Monitoring (RTM) and Quarterly Return (QR) submissions are Early Warning Systems developed for regulatory purposes.

As such the information contained in these submissions are extracts of the information that the management of a scheme uses to manage the scheme's risks. The detail submitted via these systems does not necessarily need to adhere to IFRS as more detail is required in some instances, and some data might even be omitted.

It is at this point in time not considered to be necessary to collect any additional data in terms of IFRS 17 for the purposes of the RTM and QR submissions.

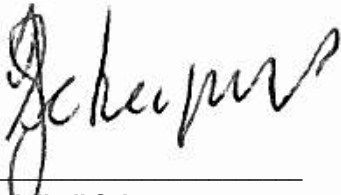
- **Annual Statutory Returns**
The Annual Statutory Return (ASR) is based on the scheme's financial statements.

Again, more detail may be required in the completion of the annual statutory return than is required in terms of IFRS.

As the transitional arrangements to IFRS 17 requires schemes to apply the standard retrospectively, schemes would need to disclose the required information for the 31 December 2022 year-end as well. It is therefore recommended that schemes already consider IFRS 17 in their 31 December 2021 year-ends to ensure the appropriate opening balance for 1 January 2022.

To aid with this process, CMS will incorporate an IFRS 17 statement of financial position and statement of comprehensive income as a voluntary submitted addendum to the 2021 and 2022 annual statutory returns. This voluntary submitted addendum does not need to be audited.

Yours sincerely,



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Council for Medical Schemes