



Reference: 2023 Annual Returns  
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## **Circular 41 of 2023: International Financial Reporting Standard (IFRS)17 – Statement of financial position**

The purpose of this Circular is to engage with the industry on the format of the Statement of financial position.

This Circular follows on [Circular 29 of 2023](#) (International Financial Reporting Standard (IFRS)17 *Insurance contracts - Direct attributable expenditure*) in a series of stakeholder engagement on the requirements of the IFRS17 and the impact this has on the development of the 2023 Annual Statutory Returns.

### *Presentation of statement of financial position*

Paragraph 60 of International Accounting Standard (IAS) 1 *Presentation of financial statements* states that: “An entity shall present current and non-current assets, and current and non-current liabilities, as separate classifications in its statement of financial position in accordance with paragraphs 66–76 except when a presentation based on liquidity provides information that is reliable and more relevant. When that exception applies, an entity shall present all assets and liabilities in order of liquidity.”

Paragraph 62 of IAS 1 states that: “When an entity supplies goods or services within a clearly identifiable operating cycle, separate classification of current and non-current assets and liabilities in the statement of financial position provides useful information by distinguishing the net assets that are continuously circulating as working capital from those used in the entity’s long-term operations” (own emphasis).

The standard recognises that for some entities, such as financial institutions, presentation of assets and liabilities using the order of liquidity provides information that is reliable and more relevant than a current and non-current presentation as the entity does not supply goods or services within a clearly identifiable operating cycle (see IAS 1 paragraph 63).

Paragraph 61 of IAS 1 however indicates that regardless of which method of presentation has been adopted, the entity will still be required to disclose current and non-current assets and liabilities separately.

### Relevant legislation

The Medical Schemes Act 131 of 1998 (MSA) defines the business of a medical scheme as “the business of undertaking, in return for a premium or contribution, the liability associated with one or more of the following activities:

- (a) providing for the obtaining of any relevant health service;
- (b) granting assistance in defraying expenditure incurred in connection with the rendering of any relevant health service; or
- (c) rendering a relevant health service, either by the medical scheme itself, or by any supplier or group of suppliers of a relevant health service or by any person, in association with or in terms of an agreement with a medical scheme as the undertaking of a liability in return for a premium or contribution to make provision for obtaining any relevant health service”.

Section 26(7) of the MSA requires all contributions to be paid directly to a medical scheme not later than three days after payments thereof becomes due.

Section 59(2) requires medical schemes to pay a member or supplier of service within 30 days after the day on which a claim was received.

Regulation 6 allows for the submission of claims up to four months after the date of service rendered.

Regulation 29 requires medical schemes to maintain minimum accumulated funds of 25% of gross annualised contributions.

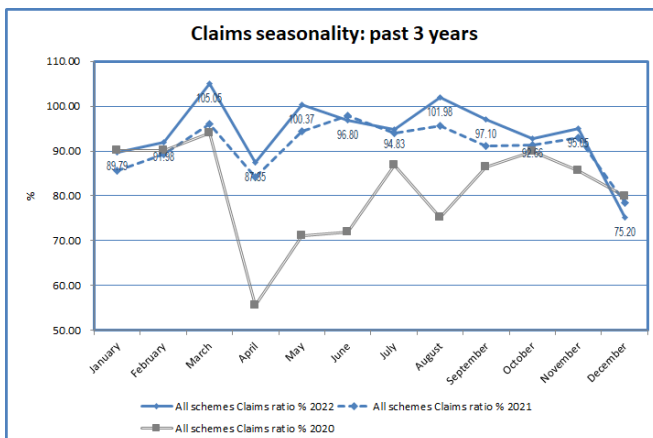
It is common practice that medical schemes issue short-term contracts of one year.

### Operating cycle

**The following information is based on the preliminary data published on 20 October 2023.**

During 2022 medical schemes collected contributions, and for every R100 received, R93.96 in claims paid and R8.96 in non-healthcare expenditure, R2.92 of the previous reserves were utilized - this was explicitly priced for as contribution increases for the 2022 year were below consumer inflation.

When looking at the seasonality of claims for 2021 and 2022, a clear seasonality can be observed; an increase in claims in the first quarter of the year as members gained access to new benefits, increases in claims over the winter months, and a downward trend in the last quarter of the year.



Therefore, it is the Council for Medical Scheme's opinion that a clearly identifiable operating cycle exists in the medical schemes industry.

Kindly provide comments regarding the presentation the statement of financial position by completing the <https://forms.office.com/r/9qFFK4DfbY> by **Wednesday, 15 November 2023**.

We look forward to your valuable participation.



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**Council for Medical Schemes**