



Reference: Standard Guidelines
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Circular 43 of 2024: Standard guidelines on the format of business plans submitted to the Council for Medical Schemes

The purpose of this circular is to engage with the industry on the requirements of the International Financial Reporting Standard (IFRS) 17: *Insurance Contracts* and its effect on schemes' business plans and management accounts.

The Council for Medical Schemes (CMS) is in the process of enhancing our [standard business plan and management accounts guidelines](#), which are currently published on our website:

- Guideline for the preparation of a business plan pursuant to an application for the registration of a new medical scheme as per Section 22 of the Medical Schemes Act (click [here](#));
- Guideline for the preparation of a business plan pursuant to an application for the registration of a new/restructured benefit option(s) as per Section 33 of the Medical Schemes Act (click [here](#));
- Guideline for the preparation of a business plan pursuant to an application for an amalgamation of medical schemes as per Section 63 of the Medical Schemes Act (click [here](#));
- Guideline for the preparation of a business plan where a medical scheme is not meeting the statutory solvency requirements as per Regulation 29 of the Medical Schemes Act (click [here](#));
- Guideline to the trustees for the submission of reinsurance contracts with registered insurers to the Registrar of Medical Schemes in terms of Section 20(3) of the Medical Schemes Act (click [here](#)); and
- Guideline for the preparation of Standard Management Accounts (click [here](#)).

IFRS 17: Insurance Contracts are effective for the financial year-end beginning on or after 1 January 2023. Medical schemes were, therefore, required to make significant changes to their annual reporting for the 2023 financial year.

During CMS engagement with the South African Institute of Chartered Accountants (SAICA) Medical Schemes Project Group (MSPG), CMS indicated that we did not anticipate any changes necessary to scheme's management accounts. Subsequently, the CMS has received numerous requests from stakeholders for more guidance to be provided on the alignment of scheme's management accounts to their annual financial statements.

The objective of management accounts is to provide timely and key financial and statistical information required by management for decision making and monitoring of performance. The monitoring of performance per the

management accounts therefore needs to be aligned to the reporting of performance in the annual financial statements in order to be relevant.

The same would apply to schemes' business plans: the monitoring of performance per the management accounts needs to be comparable to the projections provided in the various business plans.

IFRS 17 introduced (at a high-level summary) the following changes:

a. Remapping of various line items

CMS proposes that schemes remap their business plans and management accounts in line with the IFRS 17 requirements.

This will also result in changes in the key indicators/statistics. Please refer to [Circular 20 of 2024](#) which requested schemes to comment on the proposed operational statistics to be disclosed by medical schemes. CMS has extended the deadline for comments on Circular 20 in line with the deadline below.

b. Mutual entity definition

[Circular 12 of 2024](#) requires medical schemes to disclose their benefit option results by excluding the "amount attributable to future members" from their insurance service expense figure. CMS proposes that the scheme's business plans and management accounts be prepared on the same basis.

The operational statistics also excludes the "amount attributable to future members" from their insurance service expense figure.

The onerous contract assessment would only result in a reclassification of the "amount attributable to future members" between non-current and current liabilities.

- c. Changes in how the incurred claims provision is calculated
- d. Introduction of risk adjustment for non-financial risk
- e. Disclosure of LFRC and LIC reconciliations

The CMS seeks to engage with industry to determine the effect of these changes on schemes' business plans and monthly management accounts. Schemes are therefore invited to provide inputs for incorporation into the IFRS 17 guidelines by completing the survey [here](#).

Any other comments and suggestions in respect of these guidelines can be sent to a.mahlangu@medicalschemes.co.za on or before 25 October 2024.

Your input will be highly appreciated.

Yours sincerely,



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