

CHARTERED ACCOUNTANTS MEDICAL AID FUND (CAMAF)

GCR RATING: 2014

1. Introduction

GLOBAL CREDIT RATING CO. (GCR) recently published its latest credit rating of CAMAF as reviewed in July 2014 (for 2013). CAMAF was established in 1951 to cater for chartered accountants, legal professionals and certain affiliated companies. CAMAF is administered by Eternity Private Health Fund Administrators (Pty) Ltd, a wholly owned subsidiary of Sanlam Health Management.

The unchanged rating of AA- is based on the following key factors:

- Successive net surpluses contributed to reserves increasing steadily.
- A relatively young average age reflects a favourable risk profile.
- There is a captive membership base, which assisted in claims predictability but its large corporate membership base does pose a risk should there be negative employment activity.
- A conservative investment portfolio maintained liquidity measures at sound levels.
- Delivery costs remained stable, albeit above the closed scheme industry average.

2. Membership base

- CAMAF experienced a principal membership compound annual growth rate of 1.8% over the review period.
- In 2013 principal members increased by a mere 0.7% to 25 549 and beneficiaries increased from 46 088 to 47 143.
- The Scheme remains exposed to employment activity in the corporate world with the 5 largest employer groups accounting for 61% of membership (MTN represents 21% and the 4 largest Auditing firms represent 40% of total membership).
- The average age of principal members is 36 and 31 for beneficiaries.

3. Product line

There are 6 options namely:

- Alliance: Offers in hospital doctor cover at 300% of scheme rate. Day-to-day benefits are provided subject to an annual limit (of R22 100 per adult) with a co-payment of 20%. Limited supplementary benefits (radiology, emergency rescue and immunisations) are also provided and a medical savings account covers additional day-to-day benefits.
- Double Plus: Offers in hospital doctor cover at 300% of scheme rate. Extended supplementary benefits and a medical savings benefit is in place to extend day-to-day benefits which are subject to an annual limit of R8650 per adult (with a 20% co-payment).
- Vital: In addition to covering doctors at 300% of scheme rates in hospital, it provides a set of core benefits with preventative wellness cover. There are no day-to-day benefits.
- Essential: This low cost option provides hospital cover but no day-to-day cover.
- First Choice: Contributions are based on 5 income bands and benefits include hospital benefits at scheme rate and a range of day-to-day benefits subject to category sub limits.

- Network choice: Covers hospitalisation at scheme rates and limited day-to-day benefits, through a network of providers.
- The results of the different plans are summarised below:

Plan	Membership (%)	Claims / NPI (%)	Net healthcare result (R'million)
Alliance	3.6	113.1	(12.9)
Double Plus	38.2	85.2	24.8
Vital	19.3	75.3	12.8
Essential	1.4	35.6	2.4
First Choice	24.9	88.5	(13.9)
Network Choice	12.6	79.1	1.2
TOTAL	100.0	85.4	12.0

NPI- Net Premium Income

- The First Choice and Double plus options house the bulk (63%) of the total membership.
- The overall claims ratio remained stable at 85%.
- The Alliance option showed the highest claim ratio whilst the First Choice option doubled its net healthcare deficit from R7million to R14million.
- The overall claims ratio declined from 84.6% to 85.4% which saw the Scheme's net healthcare surplus decreasing from R14.4million (2012) to R12million in 2013.

4. Asset management

The portfolio which is managed by Allan Gray, Coronation and Liberty Life consists mainly of:

Cash and cash equivalent	:	R 199.3m (32.3%)
Cash in managed portfolio	:	R 143.3m (23.2%)
Fixed interest	:	R 61.7m (10.0%)
Listed equity	:	R 155.2m (25.2%)
Property	:	R 57.3m (9.3%)
TOTAL	:	R 616.8m

- The total managed portfolio amounts to R417.5million.
- The investment yield decreased from 3,6% to 3,4% excluding unrealised movement. (6.1% including unrealised gains)

5. Financial performance

A summary of the last three years financial performance is reflected below:

	(R'millions)		
	2013	2012	2011
Gross premiums	892.8	803.8	721.9
Members' savings contributions	(67.9)	(61.0)	(54.2)
Net premium income	825.0	742.8	667.7
Claims paid	(699.8)	(631.1)	(553.3)
Transfer arrangements	(5.0)	3.0	3.0
Gross underwriting surplus	120.2	114.7	117.5
Non healthcare expenditure	(108.1)	(100.3)	(90.8)
Net healthcare result	12.0	14.4	26.7
Investment income (and other)	19.8	19.0	18.5
Net surplus for the year	31.8	33.4	45.2

(R'millions)		
2013	2012	2011

BALANCE SHEET

Members surplus	501.3	453.6	403.0
Members savings account	90.9	81.3	69.5
Provisions for claims	23.0	18.0	21.0
Other liabilities	16.4	15.9	15.6
TOTAL LIABILITIES	631.6	568.7	509.1
Investments	616.8	558.1	495.8
Debtors and prepayments	14.8	10.6	13.3
TOTAL ASSETS	631.6	568.7	509.1

- The Scheme's contributions exceeded the budgeted amount and the net healthcare result was in line with the budget.
- Average contributions increased by 10% and net premiums rose by 2%.
- Admin fees fell by 9% but managed care cost rose by 11%.
- The claims ratio was slightly elevated at 85% (from 84.6%) compared to an estimated industry average of 92.3%.
- The delivery cost ratio was stable at 12.1% and the cost per beneficiary per month increased from R182 to R191.
- Realised investment income of R20m boosted the reduced net healthcare result to a net surplus of R32m.

6. Solvency and reserves

The statutory funding ratio dipped from 42% to 41% which is well above the statutory requirement of 25% but below the closed scheme average of 47%.

Accumulated funds per principal member rose to R14 370 (R13 213 in 2012) and covered average monthly claims by 6.3 times.

7. Future prospects

Expected membership growth of 3% and a contribution increase of 6.7% are expected to realise gross contribution growth of 9% in 2014.

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