



## GCR affirms Chartered Accountants SA Medical Aid Fund (CAMAF)'s rating of AA-(ZA); outlook Stable

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Johannesburg, 30 Jul 2013 — Global Credit Ratings has today affirmed the national scale claims paying ability rating assigned to Chartered Accountants SA Medical Aid Fund (CAMAF) of AA<sub>-(ZA)</sub>; with the outlook accorded as Stable.

### **RATING RATIONALE**

Global Credit Ratings has accorded the above credit rating(s) on Chartered Accountants SA Medical Aid Fund (CAMAF) based on the following key criteria:

CAMAF was established in 1951 as a restricted membership scheme catering exclusively for chartered accountants, legal professionals and certain affiliated companies that are specifically provided for in the scheme's rules. Further, CAMAF is the sole provider of medical coverage for each of its employer groups (as per the letter of undertaking with each client). CAMAF is administered by Eternity Private Health Fund Administrators (Pty) Ltd ("Eternity"), which in turn is a wholly owned subsidiary of Sanlam Health Management.

CAMAF has evidenced a strong level of solvency management over the review period, maintaining solvency metrics within a pre-defined target band, while limiting deviations to a narrow range. Solvency management has been facilitated by management's in-depth knowledge of the underlying membership profile, which has allowed for an above average degree of control over risk management practices, while enhancing claims predictability. The nature of the underlying employment groups also gives rise to a favourable average age profile, which is viewed as a significant contributor to the scheme's favourable performance. The scheme's capacity to generate successive net surpluses is expected to allow for continued accumulated fund generation going forward, underpinning the current rating.

The captive membership base of the scheme has provided a comparatively strong principal membership growth rate over the review period. Note is taken, however, of the exposure of the membership base to large individual corporate entities, which see the scheme's scale inherently exposed to employment activity and broad economic downturns. CAMAF has maintained liquidity measures at adequate levels over the review period, with the cash portion of managed funds providing additional liquidity support in adverse scenarios. Furthermore, the scheme's relatively conservative investment composition has limited fluctuations in revaluation reserves. Expressed as a percentage of gross premiums, delivery costs have remained stable over the last four years, albeit remaining above the closed medical scheme industry average.

Upward rating movement would be considered if the scheme were able to achieve a substantial elevation in its market profile, increasing market share substantially while enhancing overall

diversification. Conversely, a sustained adverse net performance, due to significant claims or investment losses, which could cause the level of capitalisation to decline materially. Further, government’s longer-term objective to introduce an NHI framework in South Africa, to which the associated effect on the medical schemes industry remains uncertain, could negatively impact the rating.

<b>NATIONAL SCALE RATINGS HISTORY</b>	
Initial rating (Aug/2003)	
Claims paying ability: A+ <sub>(ZA)</sub>	
Outlook: Stable	
Last rating (Jul/2012)	
Claims paying ability: AA- <sub>(ZA)</sub>	
Outlook: Stable	
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## **APPLICABLE METHODOLOGIES AND RELATED RESEARCH**

GCR's Criteria for Rating South African Medical Schemes

The ratings above were solicited by, or on behalf of, the rated client, and therefore, GCR has been compensated for the provision of the ratings.

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GCR affirms that a.) no part of the rating was influenced by any other business activities of the credit rating agency; b.) the rating was based solely on the merits of the rated entity, security or financial instrument being rated; c.) such rating was an independent evaluation of the risks and merits of the rated entity, security or financial instrument; and d.) the validity of the rating is for a maximum of 12 months, or earlier as indicated by the applicable credit rating document.

Chartered Accountants SA Medical Aid Fund (CAMAF) participated in the rating process via face-to-face management meetings, teleconferences and other written correspondence. Furthermore, the quality of information received was considered adequate and has been independently verified where possible.

The credit rating/s has been disclosed to Chartered Accountants SA Medical Aid Fund (CAMAF) with no contestation of the rating.

The information received from Chartered Accountants SA Medical Aid Fund (CAMAF) and other reliable third parties to accord the credit rating included the latest available audited annual financial statements (plus four years of comparative numbers), latest internal and/or external report to management, full year detailed budgeted financial statements, most recent year-to-date



management accounts, and capital management policies. In addition, information specific to the rated entity and/or industry was also received.

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