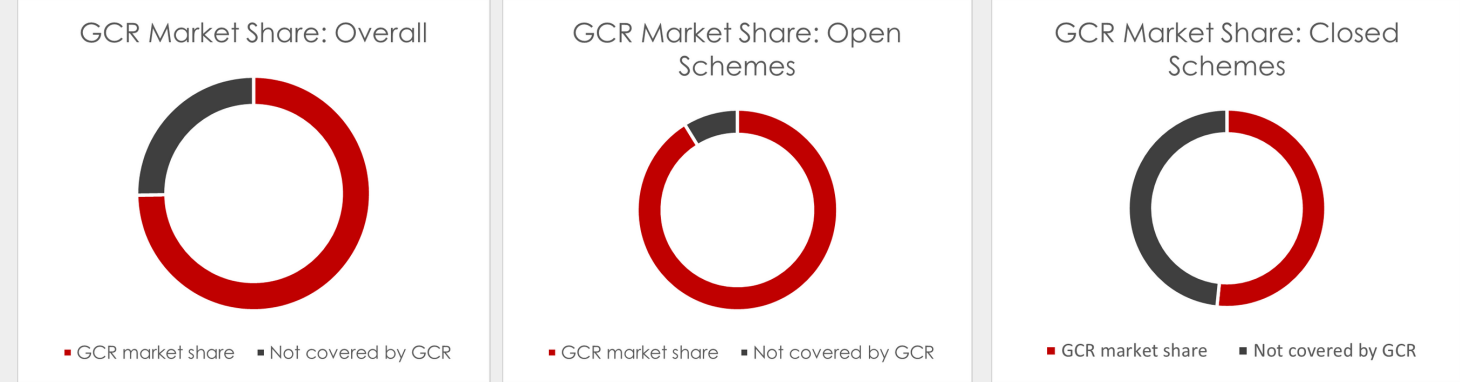




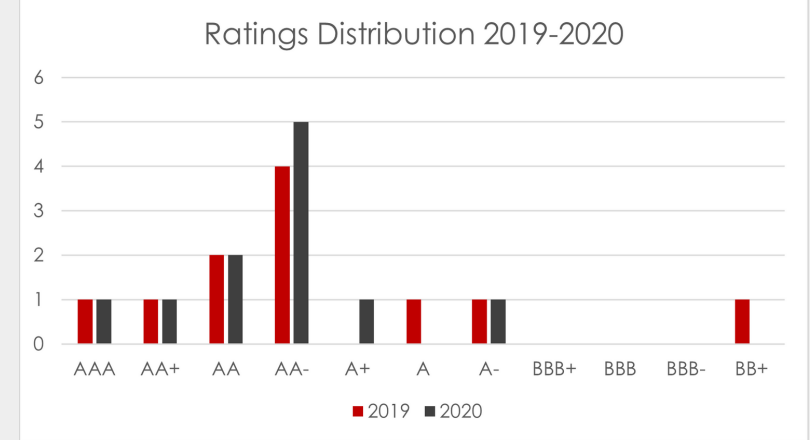
GCR Ratings Coverage

GCR rates 11 medical schemes in South Africa, of which 8 are open and 3 are closed schemes. These entities represented 74% of the total industry membership in 2019, equating to around 6 million beneficiaries.



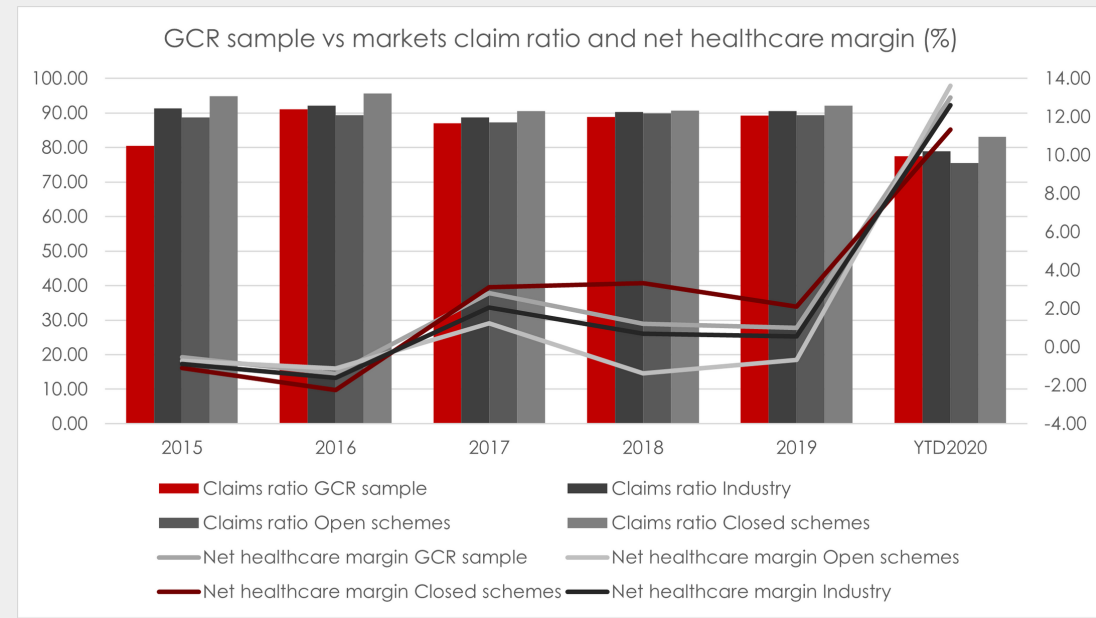
Ratings Distribution

In 2019 both the Country Risk Score and Sector Risk Scores were lowered, as a result the implied creditworthiness of the schemes deteriorated by international comparison. However, we did not see broad national scale ratings movements. 73% of GCR national scale financial strength ratings were accorded a stable outlook indicating the high likelihood that ratings will be maintained.



Stronger Financial Profiles

While average contribution increases have been very low in 2021, net healthcare results & net surpluses have materially improved in 2020, driven by a lower utilisation of non-essential benefits. This reduced the claims ratio to 79% as at June 2020; well below the 5 year industry average of 91%. The statutory solvency ratio is viewed to be strong (36% in 2019). Going forward we judge the industry will maintain adequate funding levels.



Industry liquidity also remains adequately managed, supported by conservative investment approaches, although note is taken of a contraction of cash and equivalent levels to favour fixed income securities.

Longer-Term Challenges

Despite the decline in GDP and increase in unemployment, membership numbers stayed relatively stable in 2020, driven by an increased awareness of the importance of healthcare. However, in the longer term, we expect accrued economic challenges to result in a contraction of industry memberships along with a potential normalization of claims which could deflate schemes' financial profiles.

