



**NOTICE OF ANNUAL
GENERAL MEETING**

TO BE HELD ON 27 JUNE 2019

Including the 2018 Summarised Financial Statements

Notice of Annual General Meeting

Notice is hereby given that the 105th Annual General Meeting of Bankmed will be held on Thursday, 27 June 2019, at 17h00 at the JCC Johannesburg Country Club, 1 Napier Road, Auckland Park, Johannesburg.

Agenda

1. To read the notice convening the meeting
2. To approve the minutes of the 104th Annual General Meeting held on Thursday 28 June 2018
3. Feedback on matters arising and general update
4. To receive and adopt the audited Financial Statements and the Annual Report of the Board of Trustees for the year ended 31 December 2018
5. To note the Bankmed Trustee Fee Policy, and approve the proposed Trustee Fee increase for 2019/2020
6. To appoint the auditors for the ensuing year
7. To transact any other business of which notice was given by 30 April 2019
8. Announcement of the newly elected members of the Board of Trustees
9. Closure

By order of the Board



EA SCHAFFRATH
CHAIRMAN

MINUTES OF THE 104TH ANNUAL GENERAL MEETING OF THE BANKMED MEDICAL SCHEME

Date and time: Thursday, 28 June 2018 at 17h00

Venue: Johannesburg Country Club, 1 Napier Road, Auckland Park, Johannesburg

Attendees:

Bankmed Board of Trustees present:

Mr D Armstrong	Chairman
Mr EA Schaffrath	Vice Chairman
Mr G de Lange	
Mr N Naidoo	
Mr J Henning	
Mr N Nyawo	
Ms G Noemdoe	
Mr D Bolt	
Mr D Mkhonza	
Mr J Cresswell	
Ms F Petersen-Cook	Independent Chairperson of the Bankmed Audit Committee

Officials in attendance:

Mr T Mosomothane	Principal Officer
Dr N Naidoo	Clinical and Operations Executive
Mr N Coghlan	Finance and Risk Executive
Mr Z Shah	Senior Manager: Communications
Ms M Bam	Senior Manager: Client Management
Ms L Diba	Senior Manager: Client Management

Bankmed members: 53 Principal Members

Apologies:

Bankmed Board of Trustees:

Mr R Gush
Mr T Legoete

Bankmed Members:

Mr F de Jager
Mr D Daley

ITEMS MINUTED

1. OPENING, WELCOME AND ATTENDANCE

ACTION

The Chairman, Mr Danny Armstrong, welcomed all present to the 104th Annual General Meeting (“AGM”) of Bankmed.

Mr Viaan Pullen, a representative from the Council for Medical Schemes, and Ms Petersen-Cook, independent Chairperson of the Bankmed Audit Committee, were welcomed.

It was noted that Bankmed would be assisted by the Scheme’s independent internal auditors, namely PricewaterhouseCoopers Advisory Services (Pty) Ltd (“PwC”), during the course of the proceedings.

In terms of Rule 28.3 of the Bankmed Scheme Rules, 30 members are required to be present at the AGM in order for the meeting to be deemed quorate. Ms Boitumelo Lekoko of PwC confirmed that more than 30 Principal Members were present as at 17h00 and the meeting was therefore declared quorate.

It was requested that members state their name and surname when asking questions during the AGM. This was required for minute-taking purposes. In the event that the name and surname is not given, the minutes would reflect “member”.

Attendees were provided with red and blue bands upon entering the venue. Principal Members in good standing were provided with blue bands and observers were provided with red bands. Only Principal Members in good standing would be allowed to vote, should the need arise.

The Chairman confirmed that voting for the Board of Trustees had been carried out prior to the AGM and the results would be announced later in the evening. PwC would confirm the results.

Members were reminded to address personal member queries with the Bankmed Customer Liaison Managers present at the AGM. Queries would be attended to on a one-on-one basis. It was noted that the Customer Liaison Managers would be available for a period after the AGM.

2. TO READ THE NOTICE CONVENING THE MEETING

ACTION

The Chairman confirmed the following in respect of the notice convening the meeting:

Rule 28.2.1 of the Registered Rules of Bankmed states that the notice convening the AGM shall be sent to members at least 14 days before the day of the meeting.

It was confirmed that Bankmed had distributed the notice convening the AGM from 4 June 2018. Members with an e-mail address were issued with the notice on 4 June 2018 whilst members without an e-mail address were posted a notice from 6 June to 8 June 2018. The documents were also made available online.

3. MINUTES OF THE 103RD AGM HELD ON THURSDAY, 29 JUNE 2017

ACTION

The draft minutes of the 103rd AGM held on Thursday, 29 June 2017 were included in the booklet for review and approval and were taken as read. The minutes were approved as a true reflection of proceedings, to be signed by the Chairman.

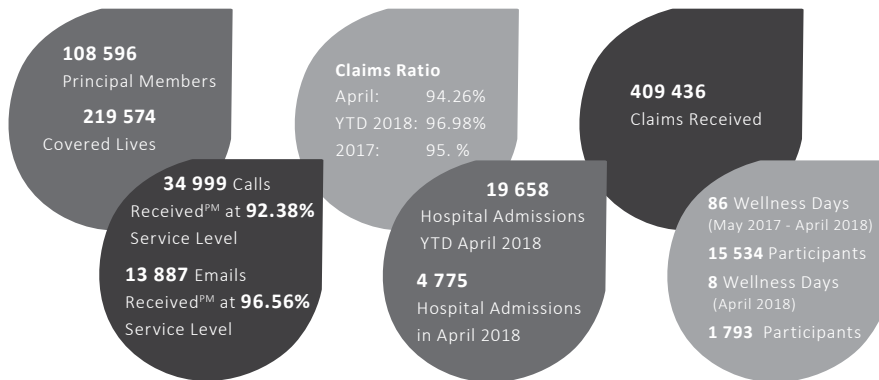
Proposed by Mr Goemans and seconded by Mr Preller.

The Chairman called upon the Principal Officer, Mr Mosomothane, to lead a presentation in respect of a general Bankmed update, industry information and matters arising from the prior year’s minutes. The Principal Officer shared the following salient points by way of a presentation:

4.1. Operational / Service Progress and Member / Provider Sentiment

The Principal Officer made reference to figures as at the end of April 2018 and provided an operational and service overview.

Operational / Service Overview

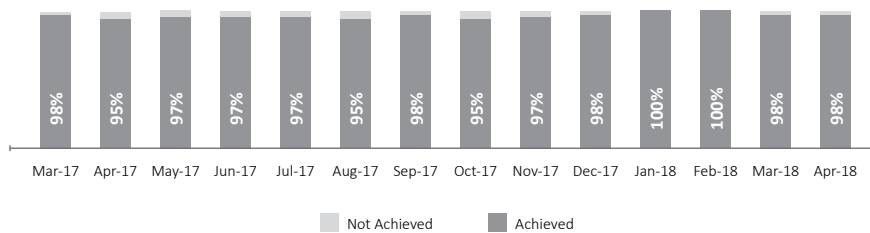


The Principal Officer noted the Scheme’s claims ratio. Alexander Forbes had carried out a survey which had included a sustainability index and the high claims ratio was raised as a concern. He explained that the high claims ratio should be seen in the context of the value provided to members as this suggested that the majority of the funds contributed by members was utilised for healthcare claims.

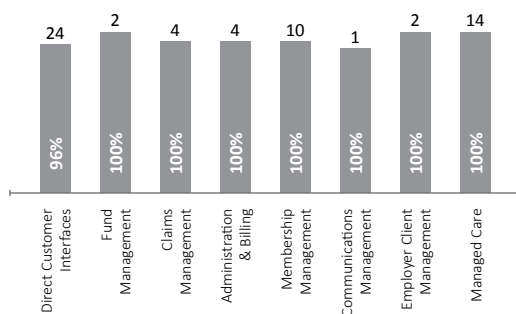
Wellness days had been held across the country. The aim was to improve the quality of life of members through the strategy grounded in wellness. The Principal Officer confirmed that Bankmed is committed to improving participation in the wellness initiatives.

The Principal Officer highlighted that the overall performance since March 2017 to April 2018 suggests that operationally the services had stabilised and were compliant to very stringent service level agreement deliverables.

Overall Performance - SLAs

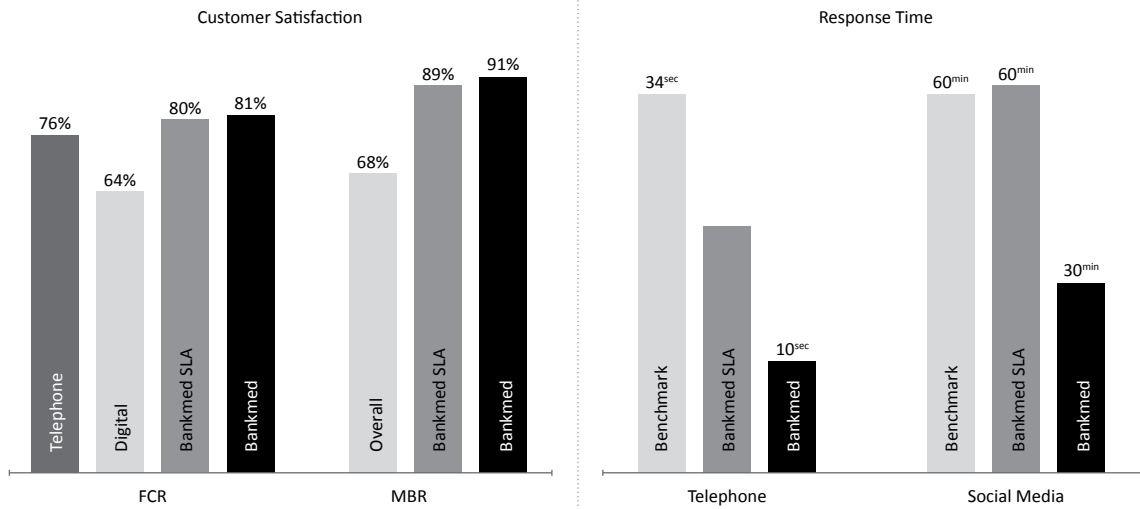


Total SLA Count April 2018 – % Achieved



The Principal Officer reported that Bankmed also takes a global view in terms of service level indicators. It was noted that Dimension Data ran a global survey across 80 countries and 1 350 companies participated in this global survey. The benchmarks from this survey gave some indication of how well Bankmed compared globally.

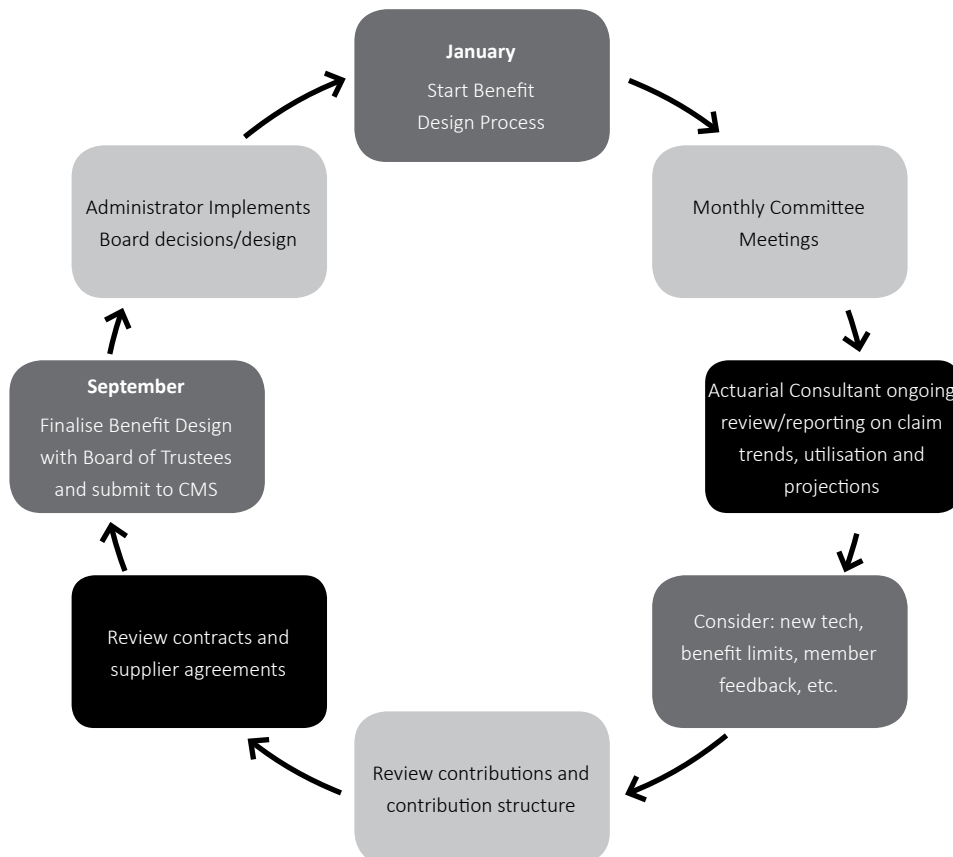
Dimension Data – Global Contact Centre Benchmark Report 2017



4.2 Benefit Design Process

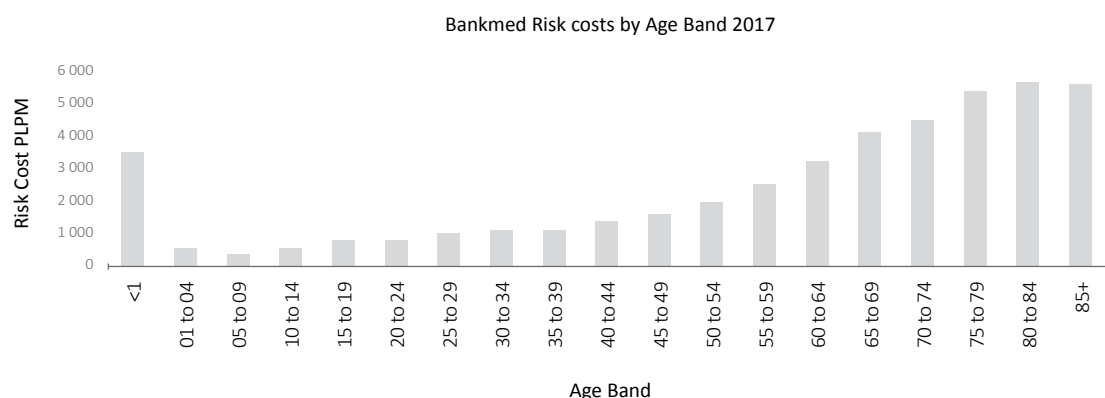
The Principal Officer noted that many queries related to benefits had been raised. He highlighted that the benefit design process commences every January of a benefit year, followed by monthly Committee meetings. The benefit design process was explained by way of illustration overleaf. He reported that Bankmed strives to find a balance between the adequacy of benefits and affordability considerations. The Principal Officer highlighted that the administrator implemented the decisions and designs agreed by the Board of Trustees. Bankmed, as a medical scheme, was expected to protect the sustainability of the Scheme.

Benefit Design Process Flow



The Principal Officer reported that several requests were submitted by members requesting for a benefit option specific to pensioners. He explained that the claims by age/life stage, illustrated in the graph below, confirmed the increasing healthcare needs and the changing claims experience as a member grows older. The claims ratio of older members was sustainable only because of cross subsidisation from younger members. He further explained that a separate benefit option for pensioners would be unaffordable if it were to be priced to match the claims. Bankmed would not be able to give assurance on the sustainability of such an option to the Council for Medical Schemes.

Claims by Age/Life Stage



4.3 National Health Insurance (NHI)

The Principal Officer confirmed that the final NHI White Paper had been published on 30 June 2017. The NHI Bill and the Medical Schemes Amendment Bill were released for public comment on 21 June 2018. He confirmed that Bankmed is responsive to changes in the regulatory space, and participates in industry platforms and conversations which are aimed at influencing how the healthcare landscape will change. Bankmed is a member of the Health Funders Association (HFA) which consists of various industry players. The HFA is actively involved in conversations and the monitoring of the dynamics that are playing out in the industry. The Principal Officer advised that he was the current Chairperson of the HFA.

4.4 Health Market Inquiry (HMI)

The Principal Officer confirmed that a provisional report is set to be released on Thursday, 5 July 2018.

Following the conclusion of the general presentation, the Principal Officer led a presentation in respect of matters arising from the previous AGM:

4.5 Request that the Investment Committee should give consideration to diversify further with Allan Gray as one of the Scheme’s asset managers.

It was confirmed that this matter would be attended to during the Investment presentation.

4.6 Request that an Investment Report be included in the Annual Financial Statements in future.

It was confirmed that the Annual Financial Statements format is standardised and Bankmed must conform to this standard. This standardised format does not cater for an investment report specifically. The content of the notice of the AGM is specified in the Scheme Rules and does not require an investment report. Feedback regarding investments is tabled at the meeting by way of a presentation. This manner of presentation allows for member engagement and questions that can be attended to in the meeting. It was agreed that it was best to maintain this manner of presentation. This matter was closed.

4.7 The Scheme should initiate an ongoing drive to obtain e-mail addresses, where available, to reduce printing and postal costs.

It was confirmed that this is an ongoing exercise. It is accepted that a proportion of members would not have access to e-mail and that printing, albeit that the requirement is reduced, would be required in the foreseeable future. This matter was closed.

4.8 The Scheme Rules should be changed to allow for proxy voting in respect of motions.

It was confirmed that the Scheme Rules were amended to allow for proxy voting. This was implemented in 2018 for the first time. This matter was closed.

4.9 Request that the Scheme should amend the manner in which Medical Savings Account interest is calculated and allocated.

The Principal Officer confirmed that this matter had been attended to by the Scheme in terms of the Constitutional Court ruling that had been handed down and the Scheme's undertaking to comply with the law. Communication to this effect had been sent to members from 30 November 2017. This matter was closed.

4.10 Member statements should be reviewed on an ongoing basis to consider practical changes to ensure the member statements are user friendly.

The Principal Officer reported that there had been growing understanding of the member statements and claim notifications among members over time. This was due to several changes that had been made since the transfer of administration. However, given that queries had been raised by a few members, the Scheme had commissioned a member focus group to review member statements to obtain a sense of the expectations and requirements. This focus group revealed that members had indeed become familiar with, and had a better understanding of the member statements. This matter was closed.

Mr Goemans: Congratulated the Principal Officer on being the Chairperson of the HFA. He queried why the NHI Bill was released before the HMI report, given that these largely sought to deal with the same issues.

The Principal Officer confirmed that the issues were indeed interconnected, but that the NHI Bill had run ahead of the HMI report.

Mr Goemans: Recommended that key points from the investment performance and events during the year should be included in the detailed Trustees' Report. He suggested that that would enhance the value of the investment presentation and discussions. He also confirmed that in his personal capacity, the issues experienced with the administrator during 2016 had been resolved or subsided significantly.

The Principal Officer confirmed that the recommendation in terms of the inclusion of the investment performance is noted and will be presented to the Board of Trustees for consideration.

Principal
Officer

The Chairman presented, as a statement of fact, that the Audit Committee recommended to the Board of Trustees to report to members that no event or item has come to the attention of the Audit Committee that indicated any material breakdown in the functioning of key internal controls and systems during the year under review.

The Chairman reported that Bankmed is the only closed scheme in South Africa that had once again received an AA+ global credit rating.

Before moving to adopt the Audited Annual Financial Statements and the Annual Report of the Board of Trustees, the Chairman confirmed that Mr Alex Schaffrath, Chairman of the Bankmed Investment Committee, would present an investment update. He confirmed that the presentation is not a requirement for the adoption of the Annual Financial Statements and is purely additional information presented at the AGM.

Mr Schaffrath, by way of a presentation, gave an investment update. He explained the roles played by the Board of Trustees, the Investment Committee, and the three appointed asset managers. He reported that the Scheme's investment performance is reviewed on a quarterly basis by the Investment Committee. He also made reference to the interrogation of the three asset managers' investment choices and the understanding of the impact of the social political environment on the Scheme's investments. He confirmed that the way the portfolios were constructed ensures compliance with Regulation 30 of the Medical Schemes Act, and where the Scheme was not compliant for specific reasons, the Scheme had sought and obtained exemption from the Council for Medical Schemes. These requirements are reviewed by the auditors and this is reported on in the financials.

Mr Schaffrath also made reference to the Medical Savings Accounts and confirmed that, based on a Constitutional Court ruling, Medical Savings were Scheme funds. The investment policy was amended to cater for the investment of these additional funds. He noted that the return target also had to change slightly.

Mr Minnie: Queried the reason for challenging the previous ruling and how it was overturned.

Mr Schaffrath confirmed that the ruling went through a court process. Genesis Medical Scheme appealed the ruling and the appeal process went all the way to the High Court, then the Appeal Court and finally the Constitutional Court. The final ruling was thus an outcome of an appeal process.

Mr Schaffrath also highlighted salient points from the current assets allocations and the current returns.

Mr Minnie: Queried Investec's performance and suggested that, in his view, Investec had performed poorly. Queried action taken by the Investment Committee to correct this downward trend.

Mr Goemans: Suggested that the Investec returns should be placed in the context of the overall market and stated that the unit trusts, in line with the market, battled to exceed a 10 % return over the past three to four years and should be viewed as another component of the evaluation of the returns.

Mr Schaffrath confirmed that the returns had been monitored closely by the Investment Committee and the investment consultant was asked to compare the returns to the market. Although the Investment Committee was not content with the results, it was confirmed that the returns were in fact in line with the market.

Mr Ward: Referred to a commitment that had been made during the 2017 AGM to discuss the poor returns with Investec and noted that despite this commitment, the Scheme had retained Investec as an asset manager.

Mr Schaffrath confirmed that the Investment Committee had indeed discussed Investec's poor performance with Investec. Investec was asked to explain their investment choices, and an example shared at the meeting related to Investec's stance on Naspers. Mr Schaffrath expressed the significance of the impact of this stance, with reference to the overall performance of the equity market over the period under review. He confirmed that each asset manager has a different investment approach, which means their risk levels were different, and this also meant that their returns would be different.

Mr Minnie: Requested assurance from the Investment Committee that Investec's performance would be tightly managed for the ensuing year.

Mr Schaffrath reported that during the discussion with Investec, the Investment Committee confirmed that should Investec not achieve the set target, the Committee would reconsider whether Investec would be retained as an asset manager. He also confirmed that in the interim the Committee had commenced with a process to look at the performance of other asset managers to ascertain whether the Scheme should continue with Investec. He confirmed that a structured process had to be followed, leading up to the Committee making a recommendation to the Board of Trustees, for consideration and approval.

Mr Minnie: Expressed his concern about the six months' timeline until the end of the year and noted that it was the Investment Committee's responsibility to take due care.

Mr Schaffrath gave assurance that the matter was being attended to.

Mr Goemans: Expressed that the entire portfolio should be reviewed and not only one asset manager as this was only one component of the entire asset pool. He noted that although the Scheme was not reaching the CPI + 3% hurdle, the figures were industry comparative. This was noted.

Mr Schaffrath presented the risk in terms of the Scheme's exposure to Steinhoff and the realised loss and the Scheme's loss with African Bank in 2016. He stated that the Scheme suffered negligible losses given the severe losses suffered by the industry as a whole. It was acknowledged that the market was volatile, and that diversification was important. Mr Schaffrath assured the members that these matters were not taken lightly, and confirmed that these were closely monitored on a long-term basis.

Board of Trustees

Mr Goemans: Complimented Mr Schaffrath on his comprehensive report and confirmed that it had addressed several of his questions. He raised further queries and/or made recommendations as follows:

- a. The name of the independent investment advisor;
- b. The target of CPI + 3% was a long-term target and recommended that the Scheme should fluctuate around this target. He recommended that the Scheme be patient and not rush to amend this target;
- c. The Investment report should be included in the Trustees report as the Trustees report could not be adopted without a comprehensive Investment report;
- d. If Allan Gray was on the list of asset manager candidates; and
- e. The purpose of the table in Note 24 of the detailed Annual Financial Statements.

Mr Schaffrath confirmed that Willis Towers Watson was the independent investment advisor. He confirmed that the inclusion of the Investment report in the Trustees report would be considered as indicated earlier by the Principal Officer. He also noted the Scheme should be careful of the information included in the Trustees report as this report was audited and the Scheme was not allowed to include forecasts.

Mr Schaffrath confirmed that Allan Gray was one of the candidates that would be interviewed.

Regarding the analysis in Note 24, Mr Schaffrath explained that at times, some funds were parked short-term to ensure access to immediate liquidity, with a higher return. There was thus some exposure but this is usually an "in and out" scenario.

At this point, the Chairman afforded members the opportunity to raise questions regarding the audited Annual Financial Statements. There being no questions, the Chairman proposed that the audited Annual Financial Statements and Annual Report of the Board of Trustees for the year ended 31 December 2017 be adopted by the members. Proposed by Mr Goemans and seconded by Ms Mantle.

Mr Minnie: Queried whether the abridged Annual Financial Statements or the complete Annual Financial Statements were approved.

The Principal Officer confirmed that both the abridged version and the full version of the Annual Financial Statements were audited by the external auditors and approved by the Board of Trustees. Whilst the abridged Annual Financial Statements were distributed to the members with the notice of the AGM, the detailed Annual Financial Statements were made available to members via the Bankmed website. The communication to members confirmed this.

A prolonged discussion ensued, leading up to a view on what best practice is, confirmation of what was specified in the notice convening the AGM, and confirmation of the relevant provisions in the Rules of the Scheme.

Mr Coghlan confirmed that the notice convening the AGM stated that the detailed audited Annual Financial Statements should be downloaded from the website.

Mr Schaffrath pointed out that the AGM was held in terms of the Rules of the Scheme and he confirmed that Rule 28.2.1 determines that the notice convening the AGM should contain the agenda, the summarised Annual Financial Statements, the auditor's and Trustees' report and should be sent to all members at least 14 days before the day of the meeting. He confirmed that the summarised Annual Financial Statements were thus distributed in terms of the Scheme Rules.

5. TO RECEIVE AND ADOPT THE AUDITED FINANCIAL STATEMENTS AND THE ANNUAL REPORT OF THE BOARD OF TRUSTEES FOR THE YEAR ENDED 31 DECEMBER 2017

ACTION

The Chairman called upon the members to vote on the approval of the detailed audited Annual Financial Statements.

After much deliberation, the Chairman called upon the members present to vote by a show of hands. PwC presided over the voting process.

Members in favour of approving the detailed audited Annual Financial Statements: 52

Members against approving the detailed audited Annual Financial Statements: 1

Members who abstained from voting: 0

The Chairman confirmed that the audited Annual Financial Statements and Annual Report of the Board of Trustees for the year ended 31 December 2017 were adopted as presented.

6. TO NOTE THE BANKMED TRUSTEE FEE POLICY AND APPROVE THE PROPOSED TRUSTEE FEE INCREASE FOR 2018/2019

ACTION

The Principal Officer confirmed that the Trustee Fee Policy was circulated via email, it was published on the Scheme's website, and hard copies were handed out to members as they registered for the AGM. He confirmed that the Trustee Fee Policy was for noting.

Trustee remuneration had been disclosed in the audited summarised Annual Financial Statements presented to members (page 27 of the summarised Annual Financial Statements, and page 31 of the summarised Annual Financial Statements – Note 14).

The Remuneration Committee had utilised the services of an independent remuneration specialist, Korn Ferry Hay Group, who provided advice to the Scheme. The independent advisors proposed that the Scheme should consider increasing Trustee remuneration by 6.3% for the ensuing year. This increase was considered and revised by the Board of Trustees, and it was proposed that the Trustee remuneration be increased by 5% instead.

Proposed by Mr Goemans and seconded by Mr Ward.

The Chairman called upon the members present to vote by a show of hands. PwC presided over the voting process.

Members in favour of the 5% remuneration increase: 53

Members against the 5% remuneration increase: 0

Members who abstained from voting: 0

It was agreed that Trustee remuneration be increased by 5%.

7. APPOINTMENT OF THE AUDITORS

ACTION

The Chairman confirmed that the appointment of the auditors for the ensuing year was also a notice of motion matter, and, with the consent of the AGM suggested the specific notice of motion be presented and debated in concurrence with the decision on the appointment of the auditors.

Motion 1 proposed by a member: "I propose that Bankmed avoid using KPMG in any capacity. This motion is based on KPMG's admitted involvement in a false SARS report that undermined Pravin Gordhan, and for which the chair of KPMG apologised to South Africa when KPMG withdrew the report. If KPMG can be involved in reports such as this, how can Bankmed's members believe that KPMG would handle Bankmed's business in a correct manner?"

The Chairman confirmed that Ms Petersen-Cook, the Independent Chairperson of the Bankmed Audit Committee, would present the recommendation made to the Board of Trustees in terms of the re-appointment of the external auditor, KPMG, for the ensuing year. He confirmed that the Board of Trustees fully supports the recommendation made by the Audit Committee.

Ms Petersen-Cook explained that the audit industry had been challenged by accounting scandals, and confirmed that there were accusations of negligence and insinuations of improprieties on the part of auditors. The "big four", of what had historically been seen as the stalwarts of the audit industry, no longer bestowed confidence on an audit conducted by them. Ms Petersen-Cook confirmed that Boards of organisations and Audit Committees were compelled to take a different approach in seeking assurance regarding the accuracy, robustness, cleanness and absence of fraud and corruption in the operations of the organisation. Boards and Audit Committees have to be more involved in the oversight of operations and have to be more diligent in the scrutiny of operations. She confirmed that Bankmed has a well-developed Combined Assurance Model and rely on far more than just the external auditors to provide assurance on the robustness of the operations of the Scheme i.e. PwC as the internal auditors and a number of external experts to provide assurance regarding the accuracy of reporting and the soundness of internal controls.

Ms Petersen-Cook confirmed that the Audit Committee was confident that they have good oversight and a good handle on the strings of the internal controls of Bankmed. A source of further comfort was that most of the day-to-day operations of Bankmed are outsourced, which means that although the outsourced providers have their own Combined Assurance Models, Bankmed has legal recourse in the event of any unsoundness or impropriety in the operations of these businesses. These businesses subscribe to various international accounting standards in terms of the assurance they provide as service organisations. This provides significant assurance to the Audit Committee regarding the operations of the business over and above the assurance that is provided by the external auditors.

Ms Petersen-Cook reported that a tender process was conducted during March and April 2017 prior to the Gupta leaks and prior to the issues around the SARS report becoming public knowledge. The tender was conducted as part of good governance, to test the quality of the offering received from KPMG and to get assurance around the independence of KPMG. A number of auditor firms were invited to submit a tender as part of the tender process and KPMG was asked to re-tender for the Bankmed business. This tender process was used as an opportunity to review capabilities, access to technological resources, the leadership role they play in the medical scheme industry in terms of financial reporting and the alternative resources available in the market. The calibre of the KPMG audit team was compared to the teams that were proposed by the other potential auditors. She confirmed that the quality of the submissions was excellent and it was evident that the bidders applied their minds to the business of Bankmed. The proposals were robust and thorough in terms of their audit approach and Deloitte did challenge KPMG in terms of the appointment. Ms Petersen-Cook confirmed that the Audit Committee decided that the Scheme currently has the best proposition available in the market in terms of the audit offering from KPMG.

Ms Petersen-Cook confirmed that the tender process served to highlight potential areas of improvement for KPMG and the negotiation process was used to improve the audit offering. She reported that the Audit Committee could comfortably say that the 31 December 2017 audit was one of the most robust audits the Scheme had been through. Certain elements of the audit, previously dealt with on a sample basis, were done on a population basis due to the application of computer assisted audit techniques and the introduction of robotics.

Ms Petersen-Cook explained that the news of the Gupta leaks in South Africa was announced shortly after the re-appointment of KPMG at the 2017 AGM. The Audit Committee had spent some time in applying their minds to the implications of the Gupta leaks and the SARS report disclosures and the appointment of an auditor for the 2018 financial year. The Audit Committee, and the Principal Officer had met with the senior executives from KPMG to discuss the implications for the KPMG team in terms of keeping the team in place, contamination of the team and the implications for impairment of judgement of the auditors. Ms Petersen-Cook reported that following extremely robust engagements, the Audit Committee recommended to the Board of Trustees to recommend to the AGM to continue with KPMG as the external auditor. She confirmed that the KPMG team that the Audit Committee deals with has the highest level of integrity and the Committee did not believe the team's judgement had been impaired by the KPMG saga. It was noted that KPMG was very diligent in the execution of the audit.

Mr Ward: Queried whether the Audit Committee had considered KPMG's involvement in the VBS bank scandal and the resignation of two senior members as a result of this scandal. He stated that KPMG International was reviewing their overall involvement in South Africa as recently as last month.

Ms Petersen-Cook confirmed that the recommendation to re-appoint KPMG was made prior to the VBS bank scandal. The matter was then discussed in detail and the Audit Committee found comfort that the members of the team that were involved in the VBS bank scandal left the business very quickly.

Mr Ward: Asked how the Audit Committee can be assured that KPMG as a company was not "rotten to the core" and asked if Bankmed should not question the involvement of KPMG if KPMG themselves are questioning their future role in South Africa.

Ms Petersen-Cook confirmed that the Audit Committee had questioned whether KPMG should be re-appointed as auditors the ensuing year. In light of the experience with KPMG in 2017 and, in light of the knowledge of the team the Audit Committee works with, the Audit Committee felt comfortable to recommend the re-appointment of KPMG. Should the current IRBA and SAICA investigations reveal adverse findings regarding the firm, the Audit Committee would definitely support a review of the recommendation.

A Member (name not audible): Confirmed that he was disturbed by the Audit Committee's decision. He stated that from an ethical point of view, the Audit Committee condones the KPMG findings and he was of the opinion that the ethics of this matter was not considered by the Audit Committee. He proposed that the AGM should vote on the matter and that the Audit Committee should consider another external auditor.

A member (name not stated): Supported Mr Ward's view and referred to the fact that a lot of KPMG staff were retrenched and recommended another external auditor be considered.

Mr Minnie: Recommended that KPMG should apologise in the name of KPMG and take responsibility for their staff's actions. He noted that the Audit Committee should have confidence in the appointed auditors. He proposed that KPMG be re-appointed.

A member (name not audible): Asked for an explanation of implications should KPMG not be re-appointed and confirmation of timelines to appoint an alternative auditor.

Ms Petersen-Cook explained that should KPMG not be re-appointed, the Audit Committee and/or the Board of Trustees should propose an alternative auditor to the AGM. If the alternative was also not appointed, the Board of Trustees would have to look into the matter and involve the Council for Medical Schemes. The appointment of a new auditor should happen within 30 days.

Mr Minnie: Requested confirmation of the cost involved in abovementioned process.

Ms Petersen-Cook confirmed that the cost would entail the governance cost in conducting the meetings and the operational impact cost of conducting a tender.

Mr Goemans: Supported Mr Minnie's view and noted that the Audit Committee had confirmed that they were comfortable and impressed with the KPMG team. He proposed the Scheme continues with KPMG as external auditors.

Mr Jarvis: Queried how the KPMG scandal compared with Steinhoff and asked how long the Scheme was going to continue with KPMG given that KPMG were apparently retrenching staff. He suggested that KPMG not be re-appointed. He wanted to know who the runner-up was in the Audit Committee's assessment of the auditors and to what extent KPMG exceeded the runner-up.

Ms Petersen-Cook confirmed that Deloitte was the runner-up. She reported that there was a significant difference in terms of the higher Deloitte fee and confirmed that this would have a cost implication for the Scheme. KPMG also has a significant share of the medical schemes auditing market in terms of capability.

A member (name not stated): Queried whether there was a rotation of auditors' process and when the next tender process would be conducted.

Ms Petersen-Cook confirmed that the tender process was conducted in 2017 and allows for five years before the next compulsory auditor rotation was scheduled for 2022. The Audit Committee would conduct a review sooner than 2022 should it be necessary. Should the current IRBA and SAICA investigations reveal adverse findings regarding KPMG, it would definitely be necessary for the Scheme to conduct a new tender process.

Mr Minnie: Suggested that joint auditors should be appointed as a safeguard as the cost would not be greater as the auditors would share the cost.

Ms Petersen-Cook confirmed that the Audit Committee would explore this proposal but pointed out that there would be a cost implication of appointing two auditors. She noted that the other consideration was that the Scheme's outsourced operations should be subject to the administrator's audit process.

Mr Goemans: Queried the reason the Scheme should pay extensive audit fees if the operations are outsourced and the auditors were only reading audit reports.

Ms Petersen-Cook explained that it was a requirement of the Medical Schemes Act that the Annual Financial Statements must be audited. The audit process was more complex than "just the reading of audit reports" and the process involves a number of aspects that were drawn together in the compiling of the Annual Financial Statements.

F Petersen-Cook

The Chairman summarised that the Audit Committee provided a recommendation to the Board of Trustees to put it to the floor at the AGM to re-appoint KPMG as the external auditors. The Board of Trustees did support the recommendation.

The Chairman recommended that KPMG be reappointed but that key provisions be met. Mr Schaffrath articulated the modified proposal, and suggested that a resolution with a proviso be worded as follows:

"It is resolved that KPMG Incorporated, being an auditor acceptable to Bankmed's Audit Committee, be and is hereby appointed as Bankmed's auditor for the financial year ending 31 December 2018, subject to the right of Bankmed to terminate that appointment if the Audit Committee considers any finding adverse to KPMG Incorporated by the South African Institute of Chartered Accountants or the independent regulatory bodies for auditors, to be sufficient to justify that termination".

Mr Schaffrath explained that this entails that KPMG should be reappointed subject to the outcome of the investigations. Should the reports reveal irregularities, the Audit Committee, which consists of two Trustees and three independent parties, would make the decision. If the auditors were replaced, Rule 27.4 of the Scheme Rules would be applied whereby the Board of Trustees should appoint another auditor within 30 days.

Mr Minnie: Recommended that some of the wording of the proviso be changed to “as recommended and supported by the Board of Trustees”.

Proposed by Mr Goemans and seconded by Mr Minnie.

The Chairman called upon the members present to vote by a show of hands. PwC presided over the voting process.

Members in favour of re-appointing KPMG as external auditor subject to the above proviso: 37

Members against re-appointing KPMG as external auditors subject to the above proviso: 4

Members who abstained from voting: 1

Other members had already left the meeting.

KPMG was re-appointed as the external auditor for the ensuing year, subject to the abovementioned proviso.

Mr Goemans: Requested that the independent members of the Audit Committee confirm the firm they were associated with and the aspects of their background.

The three independent members’ associations were confirmed.

8. TO TRANSACT ANY OTHER BUSINESS OF WHICH NOTICE WAS GIVEN BY 30 APRIL 2018

ACTION

The Chairman handed the motions’ section of the agenda over to the Principal Officer, who attended to the motions by way of a short presentation.

In total, 78 members responded with questions, queries and requests. These 78 members submitted 121 questions, queries and requests, with most of the queries pertaining to personal claim and benefit issues. All members were contacted personally to resolve claim and benefit queries. In addition to addressing a large number of questions via member communication, the Scheme had also distributed a frequently asked questions document to members to provide information in respect of general queries and Scheme functions. The Principal Officer provided a broad summary of member queries and suggestions received.

There were three motions in total, which the Principal Officer attended to at the meeting:

8.1 Motion 1: Request to review KPMG as External Auditors

The Principal Officer confirmed that this motion was discussed earlier, as recorded under Section 7 above, namely “Appointment of Auditors”. This matter was closed.

8.2 Motion 2: Request to rotate the AGM venue to ensure countrywide attendance

The Principal Officer confirmed that this matter was discussed at the meeting of the Board of Trustees held on 27 June 2018. The rationale for hosting the AGM in Johannesburg is based on the fact that the majority of the Bankmed members reside in Johannesburg. He explained that rotating the AGM venue would have cost implications. The introduction of the trustee online voting process ensured that all members can vote countywide. The Scheme would continue optimising existing channels to reach out to members in other regions i.e. through roadshows and wellness events. He confirmed that the prevailing view was that the AGM would continue to be held in Johannesburg.

Mr Minnie: Queried the number of Bankmed members present at the 2018 AGM and how many members were in the Johannesburg area. He expressed his surprise at the low attendance of the 2018 AGM.

The Principal Officer confirmed that low member attendance at a Scheme AGM was not unique to Bankmed, and that Bankmed’s member attendance had been fairly stable.

The Chairman called upon the members present to vote by a show of hands. PwC presided over the voting process.

Members in favour of rotating the AGM Venue: 0

Members against rotating the AGM venue: 42

Members who abstained from voting 0

The Chairman confirmed that the AGM was comfortable with the approach taken and that the AGM venue shall not be rotated.

8.3 Motion 3: Request to review income bands; reference made to bracket creep over the years. The Scheme needs to make a formal statement regarding this and the Scheme's decision not to amend

The Principal Officer confirmed that income bands were reviewed during the benefit design process annually. The absence of change over time was partly a consequence of reflecting on the implications of changing the income bands. He referred to an occurrence where changes were made to the income bands which resulted in contribution increases (for some members) in the region of 25%. He confirmed that that the Medical Schemes Amendment Bill recently published, referred to cross-subsidisation as far as income was concerned. It is thus anticipated that the regulatory changes might include a directive on how to make the income bands work.

He confirmed that the income bands would continue to be reviewed on an ongoing basis and the Scheme would also consider regulatory directives that are issued in this regard.

Mr Minnie: Queried the manner in which his own personal income band was reviewed given that his income had changed following retirement.

The Principal Officer confirmed that a pensioner's income band was based on the income information available at the time of exiting employment. In the event that the member provides the Scheme with updated information, the income band would be reviewed.

The Chairman called upon the members present to vote by a show of hands. PwC presided over the voting process.

Members in favour of the continuous review of the income bands, in a manner articulated by the Principal Officer: 42

Members against the review as articulated by the Principal Officer: 0

Members who abstained from voting: 0

The Chairman confirmed that the AGM was comfortable with the approach that income bands would be reviewed on a continuous basis and would be left to the discretion of the Benefit Design Committee and the Board of Trustees for monitoring and amendment, where needed.

9. ANNOUNCEMENT OF THE NEWLY-ELECTED MEMBERS OF THE BOARD OF TRUSTEES**ACTION**

The Chairman thanked the 10 members who had put their names forward to serve on the Bankmed Board of Trustees.

Ms Lekoka of PwC, appointed as the independent electoral body, facilitated the presentation in respect of the outcomes of the Trustee voting process.

9.1 Candidate Nomination Process

PwC was appointed as the Independent Electoral Body to conduct and oversee the election of two members to the Board of Trustees.

On 5 December 2017, correspondence was circulated to all Principal Members of Bankmed requesting the nomination of candidates to stand for election to the Board of Trustees.

9.2 Vetting of the Nominees

As at 12h00 on 28 February 2018 (nomination phase closing date and time), PwC had received a total of 10 nominations and all of the 10 received nominations complied with the requirements stipulated on the nomination forms sent out to members.

Mr Goemans: Noted that member-elected Trustees are vetted prior to being confirmed. He requested that employer-appointed trustees be vetted in a similar manner and that the Scheme Rules be amended appropriately to cater for this.

Principal
Officer

Mr Minnie: Proposed that existing Trustees should also be investigated and subjected to the vetting process.

The Chairman confirmed that the decision of the Board of Trustees was that the elected Trustees were elected every year and the trustee serves on the Board for three years. An existing Trustee that stands for re-election would undergo the vetting process. The employer-appointed Trustees would also undergo the vetting process.

9.3 Final Candidate List

It was reported that PwC had facilitated an information session with the 10 candidates to inform them and reinforce understanding of the requirements of being elected as a trustee. The candidates were afforded the opportunity to ask questions on how to market themselves, and they were also guided on the best practice of canvassing.

9. ANNOUNCEMENT OF THE NEWLY-ELECTED MEMBERS OF THE BOARD OF TRUSTEES

ACTION

9.4 Management of the Electoral Proceedings

The voting process officially opened on 3 May 2018 and members could vote using the following channels:

- Online;
- E-mail;
- Fax;
- Post; and
- Hand delivery at any of the PwC offices.

PwC confirmed a migration from post to online votes and noted a significant increase in the ballots received online.

The 2018 Scheme Rules allow for proxy voting whereby members that were unable to attend the AGM were allowed to appoint a proxy in order for another member attending the AGM to vote on their behalf. PwC confirmed that the proxy voting opened on 31 May 2018. As at 21 June 2018 at 12h00 (closing date and time), PwC had received no proxy appointment forms.

9.5 Election Results

As at 5 June 2018 at 12h00 (closing date and time), PwC had received a total of 2,558 valid ballots and confirmed an increase of 581 valid ballots compared to 2017.

In terms of Rule 18.5.9, *“The election results will be announced at the Annual General Meeting of the Scheme and the newly elected trustees will take effect from that date, at the end of the Annual General Meeting.”*

The results of the election of two candidates to the Board of Trustees (in alphabetical order) were confirmed as follows:

- Mr Gerhard de Lange
- Ms Denise Mantle

PwC concluded that the election of Bankmed Trustees was carried out in accordance with the Scheme Rules and afforded all members the opportunity to participate.

The Chairman extended congratulations to both Trustees. He extended heartfelt thanks to Mr Njabulo Nyawo, as an outgoing Trustee, who had decided not to stand for re-election when his term came to an end due to work and career demands, for his service and hard work.

10. GENERAL

ACTION

Any matters not attended to as specified on the agenda were attended to under General. The following matters were raised:

10.1 Discovery Health Service Delivery

Mr Minnie: Queried whether the service delivery of Discovery Health was raised prior to his late arrival at the meeting. He complained about the lengthy Tax Certificate he had received.

A member (name not stated): Stated that the claimed amount on his Income Tax Certificate was incorrect.

The Chairman confirmed that service delivery was covered in the Principal Officer’s presentation in terms of service levels.

The Chairman confirmed that the principle of the two complaints would be raised with the administrator, but requested the individual complaints be taken off-line.

Principal
Officer

10.2 Word of appreciation

Mr Goemans: Expressed a vote of thanks and appreciation to the Bankmed Board of Trustees and the Chairman who conducted the meeting in a professional manner.

11. CLOSURE

ACTION

There being no further business, the Chairman thanked the members, the Board of Trustees, and the Executive team for their attendance. The meeting was declared closed at 19:55.

Signed as a true record of proceedings.

Chairman Signature

Date

Bankmed Summarised Financial Statements

for the year ended 31 December 2018

Full Annual Financial Statements are accessible for download
by visiting www.bankmed.co.za

The reports and statements set out below comprise the Summarised Financial Statements presented to members:

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Report of the Board of Trustees

Registration number: 1279

1 Description of the medical scheme

1.1 Terms of registration

Bankmed (the Scheme) is a restricted membership medical scheme registered in terms of the Medical Schemes Act No. 131 of 1998 (the Act) and the Regulations thereto, as amended.

1.2 Benefit options within the Scheme

In terms of its rules, the Scheme offered six benefit options during 2018:

- Bankmed Essential Plan
- Bankmed Basic Plan
- Bankmed Core Saver Plan
- Bankmed Traditional Plan
- Bankmed Comprehensive Plan
- Bankmed Plus Plan

1.3 Personal Medical Savings accounts

In order to provide a facility for members to set funds aside to meet future healthcare costs not covered in the benefit options, the trustees have made the option of a savings plan available to meet this objective. The savings plan is available on the Bankmed Core Saver, Comprehensive and Plus benefit options.

Unexpended savings amounts are accumulated for the long-term benefit of members and 50% of the interest earned on these funds is allocated to members.

The liability to the members in respect of the Personal Medical Savings accounts is reflected as a financial liability in the summarised financial statements, repayable in terms of Regulation 10 of the Act.

1.4 Risk transfer arrangements

The Scheme had the following capitation agreements in place during the year under review:

- Discovery Health (Pty) Ltd - To cover primary healthcare for members on the Bankmed Basic and Essential plan as well as emergency evacuation for members on all options;
- Preferred Provider Negotiators (Pty) Ltd - To cover optical claims for members on the Bankmed Comprehensive and Traditional plans;
- Centre for Diabetes and Endocrinology (Pty) Ltd - To cover diabetes claims for members on the Bankmed Comprehensive, Plus, Core Saver and Traditional plans.

2 Management

2.1 Board of Trustees in office during the year under review:

The Board of Trustees comprises 12 members constituted as follows:

- Six members are appointed by the three largest employer groups.
- Six members are elected on a rotation basis at the Annual General Meeting. Two of the elected Board members retire at each Annual General Meeting and the vacancies thus created are filled.

Appointed by employer groups

Mr D Armstrong	FirstRand Limited
Mr DW Bolt	FirstRand Limited
Mr J Cresswell (Resigned 31 March 2019)	The Standard Bank of South Africa Limited
Mr T Legoete	Absa Bank Limited
Mr D Mkhonza	Absa Bank Limited
Ms G Noemdoe	The Standard Bank of South Africa Limited

Elected by members

Mr EA Schaffrath (Chairman)
Mr G de Lange (Re-elected 28 June 2018)
Mr R Gush
Mr J Henning
Ms D Mantle (Elected 28 June 2018)
Mr N Naidoo
Mr N Nyawo (Resigned 28 June 2018)

The Board of Trustees met six times during 2018 on the following dates:

28 February 2018 - 2 March 2018 (Annual Strategic Planning Session)
19 April 2018
27 June 2018
19 July 2018
20 September 2018
21 November 2018

2.2 Principal Officer

Mr T Mosomothane
Office 302B
34 Whiteley Road
Melrose Arch
2076

2.3 Registered office address and postal address

Office 302B
34 Whiteley Road
Melrose Arch
2076

2.4 Medical scheme administrator

Discovery Health (Pty) Ltd	
1 Discovery Place	PO Box 786722
Sandton	Sandton
2146	2146

2.5 Managed care and wellness providers

Discovery Health (Pty) Ltd	
1 Discovery Place	PO Box 786722
Sandton	Sandton
2146	2146

MediKredit Integrated Healthcare Solutions (Pty) Ltd	
10 Kikuyu Road	PO Box 521058
Sunninghill	Saxonwold
Sandton	2132
2157	

2.6 Capitation providers

Discovery Health (Pty) Ltd	
1 Discovery Place	PO Box 786722
Sandton	Sandton
2146	2146

Preferred Provider Negotiators (Pty) Ltd	
4th Floor	PO Box 12450
Oasim Building North	Centrahill
Havelock Street	6006
Port Elizabeth	
6000	

(This contract expired on 31 December 2018 and was not renewed. A new optometric service provider has been appointed under a non-capitated agreement.)

2.6 Capitation providers (continued)

Centre for Diabetes and Endocrinology (Pty) Ltd	
81 Central Street	PO Box 2900
Houghton	Saxonwold
2198	2132

2.7 Investment managers

Investec Asset Management (Pty) Ltd	
Investec Building	PO Box 1655
Cnr Bree and Hans Strijdom Avenue	Cape Town
Foreshore	8000
8001	

Taquanta Asset Managers (Pty) Ltd	
7th Floor, Newlands Terraces	PO Box 23540
8 Boundary Road	Claremont
Newlands	Cape Town
7735	7735

Prudential Investment Managers (Pty) Ltd	
7th Floor, Protea Place	PO Box 44813
40 Dreyer Street	Claremont
Claremont	Cape Town
7735	7735

2.8 Investment consultant

Willis Towers Watson	
1st Floor	Postnet Suite 154
Illovo Edge	Private Bag X1
1 Harries Road	Melrose Arch
Illovo	2076
2196	

2.9 Actuaries

NMG Consultants and Actuaries (Pty) Ltd	
NMG House	PO Box 3075
411 Main Avenue	Randburg
Randburg	2125
2125	

2.10 External auditor

KPMG Inc.	
KPMG Crescent	Private Bag 9
85 Empire Road	Parkview
Parktown	2122
2193	

2.11 Internal auditor

PricewaterhouseCoopers Inc.	
4 Lisbon Lane	Private Bag X36
Waterfall City	Sunninghill
Jukskei View	2157
2090	

2.12 Attorneys

Edward Nathan Sonnenbergs Inc.	
150 West Street	PO Box 783347
Sandton	Sandton
2196	2146

3 Investment strategy of the Scheme

The overall objective is that the return on the assets should be such that:

- The highest rate of return is achieved within the determined risk tolerance level;
- Assets are broadly selected to obtain real growth relative to the Consumer Price Index (CPI);
- Equity volatility may result in negative returns at times, and this is permissible, except in the money market portfolio where there are no equity holdings; and
- The Scheme's Statement of Investment Policy includes several risk mitigating provisions.

This means that the multi-asset portfolios are expected to provide real rates of return over a three-year period at the lowest possible rates of volatility, whilst the money market portfolio aims to ensure capital preservation and will be limited to investing in cash and fixed interest instruments.

Asset managers have been appointed to manage the assets invested by the Scheme. The Trustees will not undertake any investment decisions in respect of these allocated assets without consulting a professional asset manager. An investment consultant has been appointed to assist with design and implementation of the investment policy, appointment and termination of asset managers, periodic review of each asset manager's performance against an agreed benchmark and assistance with all other investment consulting issues.

The Trustees will not encumber asset managers with restrictions or pre-determinations, other than limitations documented in the Statement of Investment Policy, applicable to the Regulations of the Act. The asset managers will be free to invest assets under their control according to a specified mandate on the understanding that their performance will be assessed according to the benchmarks set by the Scheme.

The Trustees have appointed an Investment Committee to recommend an appropriate investment policy to the Board of Trustees, and to oversee the implementation thereof.

4. Review of the accounting period's activities

4.1 Operational statistics

	Essential Plan		Basic Plan		Core Saver Plan		Traditional Plan		Comprehensive Plan		Plus Plan		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Number of members at year end	3 063	2 501	22 257	21 837	26 628	24 318	13 289	13 859	40 206	41 787	3 590	3 742	109 033	108 044
Number of beneficiaries at year end	4 081	3 351	40 316	38 665	51 742	46 319	29 371	30 601	88 667	92 138	6 934	7 284	221 111	218 358
Average number of members for the year	2 756	2 259	21 915	21 383	26 116	23 673	13 483	14 006	40 758	42 375	3 641	3 802	108 669	107 498
Average number of beneficiaries for the year	3 652	2 990	39 457	37 779	50 279	44 693	29 772	30 854	89 720	93 034	7 068	7 427	219 948	216 777
Dependant ratio to members at year end	0.33	0.34	0.81	0.77	0.94	0.90	1.21	1.21	1.21	1.20	0.93	0.95	1.03	1.02
Pensioner ratio (65 Years+)	0.81%	0.93%	1.63%	1.59%	2.61%	2.56%	8.90%	8.26%	12.68%	12.03%	36.23%	34.86%	8.33%	8.23%
Average age of beneficiaries	27.61	27.21	24.93	24.90	25.98	25.94	33.36	32.81	35.98	35.50	52.73	52.10	31.65	31.66
Average net contributions per member per month (R)	1 322	1 218	2 205	2 002	2 429	2 213	4 355	4 017	4 135	3 801	6 395	5 912	3 367	3 142
Average net contributions per beneficiary per month (R)	997	920	1 225	1 133	1 262	1 172	1 972	1 823	1 878	1 731	3 294	3 027	1 664	1 558
Relevant healthcare expenditure as a percentage of net contributions*	38.03%	41.52%	76.54%	73.56%	73.94%	72.84%	96.27%	95.18%	105.56%	106.13%	117.36%	118.49%	94.83%	95.31%
Average administration costs per member per month (R)	195	181	195	181	183	170	183	170	183	170	183	170	185	173
Average administration costs per beneficiary per month (R)	147	137	108	102	95	90	83	77	83	77	94	87	92	86
Amounts paid to administrator (R'000)	5 120	3 943	40 696	37 311	44 812	38 044	23 132	22 508	69 931	68 152	6 247	6 111	189 938	176 069
Non-health expenses as a percentage of gross contributions	14.05%	14.20%	8.67%	8.87%	6.60%	6.71%	4.35%	4.37%	3.77%	3.80%	2.27%	2.27%	4.90%	4.86%
Average accumulated funds per member at 31 December (R)													19 290	16 733
Average healthcare management expense per member per month (R)	92	86	92	86	92	86	93	86	93	86	93	86	92	86
Average healthcare management expense per beneficiary per month (R)	69	65	51	49	48	46	42	39	42	39	48	44	46	43
Return on investments as per an independent review by the Scheme's investment consultants.													3.50%	10.00%

4.2 Results of operations

The results of the Scheme are clearly set out in the summarised financial statements. There are no other matters that the Trustees believe should be brought to the attention of the members of the Scheme.

4.3 Accumulated funds ratio

	2018	2017
	R	R
Total members' funds per the summarised statement of financial position	2 103 275 916	2 068 121 623
Less: Cumulative unrealised net gain on remeasurement of investments to fair value*	(153 161 358)	-
Less: Available-for-sale reserve	-	(260 180 710)
Accumulated funds per Regulation 29	1 950 114 558	1 807 940 913
Gross contributions	5 039 938 733	4 657 774 612
Accumulated funds ratio	38.69%	38.82%

The Scheme's reserve ratio exceeds the statutory reserve requirement of 25% of gross contribution income and falls within the target range stipulated in the Scheme's Reserve Management Policy.

* Refer to Note 1.2. of the summarised financial statements for the details related to the adoption of IFRS9

4.4 Reserve account

Movement in the reserve is set out in the statement of changes in funds and reserve. The Scheme adopted IFRS9 effective 1 January 2018. The change in policy has been set out in note 1.2 of the summarised financial statements.

4.5 Outstanding risk claims provision

Movements on the outstanding risk claims provision are set out in Note 4 to the summarised financial statements. There have been no unusual movements that the Trustees believe should be brought to the attention of the members of the Scheme.

5 Actuarial services

The Scheme's actuaries have been consulted in determining the contribution increases and the viability of benefit levels.

6 Investments in participating employers of members of the Scheme

The Scheme holds the following investments in employer groups:

	2018	2017
	R	R
Bonds	249 654 566	172 697 414
Cash, deposits and money market instruments	628 569 946	644 041 886
Listed equities	87 194 567	72 346 322
Total	965 419 079	889 085 622

Refer to Note 13 for detailed disclosure in terms of related parties. The Scheme obtained an exemption from Section 35(8)(a) of the Act and is therefore permitted to hold investments in the participating employers of members.

7 Audit Committee

The Audit Committee operated in accordance with the provisions of the Act. The primary responsibility of the Committee is to assist the Board of Trustees in carrying out its duties relating to the Scheme's accounting policies, internal control systems, IT governance and financial reporting practices. The internal and external auditors formally report to the Committee on significant findings arising from audit activities.

The Committee is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties, which have been complied with during the year under review. At all times the majority of the Committee is independent.

The Audit Committee has adopted a Combined Assurance Model to facilitate a coordinated approach to all assurance activities. The Combined Assurance Model aims to optimise the assurance coverage obtained from Scheme management, auditors, service providers and other assurance providers.

The Committee comprised of:

Ms F Petersen-Cook - Chairman (Independent)
Ms B Hlongwane (Independent)
Mr B Phillips (Independent)
Mr J Henning (Trustee) (Appointed 19 July 2018)
Mr D Mkhonza (Trustee) (Appointed 19 July 2018)
Mr N Nyawo (Trustee) (Resigned 28 June 2018)
Mr EA Schaffrath (Trustee) (Resigned 19 July 2018)

The Committee met on four occasions during the course of the year as follows:

16 February 2018
5 April 2018
26 July 2018
23 October 2018

The Chairman of the Board of Trustees, the Principal Officer, the Finance Executive of the Scheme, the administrator, the internal auditor as well as the external auditor are invited to attend all Audit Committee meetings and have unrestricted access to the Chairman of the Committee. The Chairman of the Audit Committee is also a member of the Risk Management Committee.

8 Remuneration Committee

The Remuneration Committee is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties. Membership of the Remuneration Committee comprises of the Chairman of the Board of Trustees (who also chairs the Remuneration Committee), the Chairman of the Investment Committee, the Chairman of the Risk Management Committee and one Trustee. The Remuneration Committee meetings are attended by an independent advisor to provide expert advice and guidance to the Committee.

The Committee comprised of:

Mr EA Schaffrath (Chairman of the Board of Trustees)
Mr D Armstrong (Chairman of the Investment Committee)
Mr J Cresswell (Chairman of the Risk Management Committee) (Resigned 31 March 2019)
Mr DW Bolt (Trustee)

The Committee met on two occasions during the course of the year as follows:

8 February 2018
1 November 2018

9 Risk Management Committee

The Risk Management Committee enabled the Board to oversee the risks against which the Scheme should be protected. The Committee is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties, which have been complied with during the year under review.

The Committee comprised of:

Mr J Cresswell (Chairman) (Trustee) (Resigned 31 March 2019)

Mr N Coghlan (Executive: Finance and Risk)

Mr J Henning (Trustee) (Resigned 19 July 2018)

Ms D Mantle (Trustee) (Appointed 19 July 2018)

Mr T Mosomothane (Principal Officer)

Dr N Naidoo (Executive: Clinical and Operations)

Mr N Naidoo (Trustee)

Ms G Noemdoe (Trustee)

Ms F Petersen-Cook (Independent Audit Committee Chairman)

The Committee met on four occasions during the course of the year as follows:

19 March 2018

4 May 2018

14 August 2018

4 October 2018

10 Investment Committee

The Investment Committee ensures that the investment process is operated within the parameters of the Scheme's investment strategy. The Committee is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties, which have been complied with during the year under review.

The Committee comprised of:

Mr D Armstrong - Chairman (Trustee)

Mr G de Lange (Trustee)

Mr R Gush (Trustee) (Appointed 19 July 2018)

Mr J Henning (Trustee) (Appointed 19 July 2018)

Mr D Mkhonza (Trustee) (Resigned 19 July 2018)

Mr N Nyawo (Trustee) (Resigned 28 June 2018)

Mr EA Schaffrath (Trustee)

The Committee met on four occasions during the course of the year as follows:

22 March 2018

17 May 2018

6 September 2018

1 November 2018

11 Nominations Committee

The Nominations Committee ensures that the process of assessing the suitability of potential trustee candidates is thorough, fair and complete. The Committee is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties, which have been complied with during the year under review.

The Committee comprised of:

Mr D Armstrong (Trustee) (Chairman)

Mr J Cresswell (Trustee) (Resigned 19 July 2018)

Mr J Henning (Trustee)

Mr D Mkhonza (Trustee) (Appointed 19 July 2018)

Mr EA Schaffrath (Trustee) (Appointed 19 July 2018)

The Committee met on one occasion during the course of the year as follows:

18 April 2018

12 Optometry Tender Committee

An Optometry Tender Committee was established during 2018 to oversee the tender process for an optometry managed care provider. The Committee is mandated by the Board of Trustees as to its membership, authority and duties. This Committee was dissolved on conclusion of the tender process.

The committee comprised of:

Mr D Armstrong - Chairman (Trustee)

Mr J Cresswell (Trustee)

Mr R Gush (Trustee)

Mr T Legoete (Trustee)

Mr T Mosomothane (Principal Officer)

Dr N Naidoo (Executive: Clinical and Operations)

The committee met on three occasions during the course of the year as follows:

18 April 2018

26 June 2018

28 June 2018

13 Actuarial Tender Committee

An Actuarial Tender Committee was established during 2018 to oversee the tender process for actuarial consulting services. The Committee is mandated by the Board of Trustees as to its membership, authority and duties. This Committee was dissolved on conclusion of the tender process.

The committee comprised of:

Mr EA Schaffrath - Chairman (Trustee)

Mr DW Bolt (Trustee)

Mr N Naidoo (Trustee)

Ms G Noemdoe (Trustee)

Mr T Mosomothane (Principal Officer)

Dr N Naidoo (Executive: Clinical and Operations)

Mr N Coghlan (Executive: Finance and Risk)

The committee met on three occasions during the course of the year as follows:

16 August 2018

22 August 2018

4 September 2018

14 Meeting attendance

The following schedule sets out trustee meeting attendances where column A indicates the total number of meetings that could have been attended and B the actual number of meetings attended.

Trustee	Board of Trustees meetings		Remuneration Committee meetings		Audit Committee meetings		Risk Management Committee meetings		Nominations Committee meeting		Investment Committee meetings		Optometry Tender Committee meetings		Actuarial Tender Committee meetings	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B
Mr D Armstrong	6	6	2	2					1	1	4	4	3	3		
Mr DW Bolt	6	6	2	2											3	3
Mr J Cresswell	6	6	2	2			4	4					3	3		
Mr G de Lange	6	6									4	4				
Mr R Gush	6	6									2	2	3	3		
Mr J Henning	6	6			2	2	2	2	1	1	2	2				
Mr T Legoete	6	2											3	1		
Mrs D Mantle	3	3					2	2								
Mr D Mkhonza	6	6							1	1	2	1				
Mr N Naidoo	6	6					4	4							3	3
Mr N Nyawo	3	3			2	1					2	2				
Ms G Noemdoe	6	6					4	2							3	2
Mr EA Schaffrath	6	6	2	2	3	3			1	1	4	4			3	3

15 Non-compliance matters

15.1 Non-compliance with Section 33(2)(b) and Section 33(2)(c) - Financial performance and soundness of the Bankmed benefit options

Nature and impact

In terms of Sections 33(2)(b) and 33(2)(c) of the Act, each benefit option shall be self-supporting in terms of membership and financial performance and be financially sound. The Bankmed Comprehensive, Plus and Traditional plans incurred net healthcare deficits for the year ended 31 December 2018, thereby contravening Section 33(2)(b) and Section 33(2)(c) of the Act.

Causes for the failure

The Scheme's benefit design process always includes considerations which look at the Scheme as a whole, needing to provide a full range of benefit options to cater for the target population, and takes into account the Scheme's financial stability and current reserve levels. Similar losses were anticipated in the budget, which was approved by the Council for Medical Schemes (CMS).

Corrective action

The benefits and contributions proposal approved by the CMS for 2018 included budgeted losses for the benefit options which generated operational losses. As required by the CMS, the Scheme continues to submit monthly management accounts reflecting the performance of the benefit options.

15.2 Non-compliance with Section 26(7) – Late payment of contributions

Nature and impact

Contributions due from a number of employers were received more than three days after becoming due in certain months during 2018, which is in contravention of Section 26(7) of the Act.

Causes for the failure

Due to internal process delays some employers did not pay contributions on behalf of members within three days of becoming due. As a result the Scheme is in contravention of Section 26(7) of the Act.

Corrective action

Scheme management continues to engage any employer group that pays late, and appropriate action is taken as and when necessary. The administrator's robust follow-up processes have been instrumental in ensuring continuous improvement in timeous payment of contributions by employer groups.

15.3 Non-compliance with Section 35(8)(a) – Investments in participating employers

Nature and impact

The Scheme holds investments, via various instruments, with ABSA Bank Ltd, FirstRand Bank Ltd, Landbank SOC Ltd and The Standard Bank of South Africa Ltd who are participating employers of the Scheme. The Scheme also banks with FirstRand Bank Ltd and therefore has various current accounts with this employer. This is in contravention of Section 35(8)(a) of the Act, as the Scheme is not allowed to hold investments in any participating employer.

Causes for the failure

As these institutions are major commercial banks an investment portfolio excluding these employers would fail to perform optimally in the South African investment markets. Funds are therefore invested in various instruments issued by these participating employers. Investments in publicly traded instruments of participating employers are made and managed via external investment managers and are managed in terms of the agreed mandates.

Corrective action

The Scheme has obtained an exemption from the CMS.

15.4 Non-compliance with Section 35(8)(c) – Investments in any administrator

Nature and impact

The Scheme has investments in other administrators via unitised fund holdings within the Investec Absolute Opportunity and Prudential Global Real Return portfolios.

Causes for the failure

The Scheme invests in pooled investment products with independent third party asset managers who have full discretionary mandates in terms of asset purchases. All such investment decisions are made by these third party asset managers based on their own investment theses. The Scheme is not involved in this investment decision making process as the asset manager is solely responsible for the asset selection and investment performance of the portfolio.

Corrective action

The Scheme has obtained an exemption from the CMS.

15.5 Non-compliance with Section 59(2) – Payment of claims within 30 days

Nature and impact

Member or provider claims should be settled within 30 days of submission. Instances were noted where settlements took more than 30 days.

Causes for the failure

Due to a conflict in the payment run dates that were loaded on the administration system for the generation of cheques to members and providers, 16 claims were paid after 30 days from receipt.

Corrective action

The error is not expected to re-occur as the Scheme no longer reimburses claims by means of cheque payments.

16 Membership

The membership of the Scheme increased by 0.92% to 109 033 at the end of 2018 when compared to the total membership at the end of 2017 of 108 044. At the end of 2018, the Scheme's average beneficiary age was 31.65 years (2017: 31.66 years). The pensioner ratio increased from 8.23% at the end of 2017 to 8.33% at the end of 2018.

17 Benefit options

Benefit design is a dynamic process and aimed at fulfilling the needs and healthcare benefit requirements of the Bankmed member and employer base. For this reason, the Scheme offers six benefit options which are reviewed on an on-going basis in terms of affordability, financial viability, membership choice and legislative compliance.

18 Financial overview

The financial position of the Scheme and its robust risk management approach resulted in a reaffirmation of the AA+ rating from the Global Credit Ratings Agency indicating its strong ability to pay claims.

18.1 Review of underwriting results

The overall claims experience for 2018 was 1.42% higher than that budgeted for the year, however, this still achieved a gross healthcare surplus of R226.9 million.

Relevant healthcare expenditure, expressed as a percentage of risk contribution income, was 94.83% for 2018 (2017: 95.31%). The gross healthcare (underwriting) result for 2018, amounted to 4.50% of gross contributions. (2017: 4.08%).

The net healthcare deficit, after deducting non-healthcare expenditure, amounted to R19.9 million (before investment and other income) in 2018, compared to a deficit of R36.4 million in the previous year. In the budget it was anticipated that a net healthcare surplus of R14.7 million would be incurred, compared to a budgeted net healthcare deficit of R73.6 million in 2017.

The Scheme generated a net surplus for the year under review of R34.7 million (2017: R82.8 million).

18.2 Administration expenditure

Administration expenditure remained stable at 4.90% of gross contribution income in 2018 (2017: 4.86%). The overall administration expenditure figure compares favourably with the average administration expenditure of medical schemes in the healthcare industry.

18.3 Investments

The Scheme has a clearly documented investment policy and employs the services of independent investment managers in order to manage its various investment portfolios. Net investment income (including fair value gains after deducting asset management fees) during 2018 amounted to R54.6 million, which is 53.65% lower than the R117.8 million generated in 2017. The performance of the Scheme's managers was in line with market performance. All of the Scheme's investment managers operate in terms of strict mandates that have been delegated to them by the Board of Trustees, which comply with the requirements of the Act and Regulations, and which are closely monitored.

The Board has appointed an Investment Committee that in turn utilises the services of independent investment experts with the objective of advising the Board regarding the implementation, benchmarking and monitoring of appropriate investment mandates. The investment mandates incorporate strategies which aim to outperform medical inflation.

IFRS 9 introduces a new approach to the classification of financial assets, which is driven by the business model in which the asset is held and its cash flow characteristics. The changes introduced by this standard include the reclassification of the available-for-sale investments to fair value through profit or loss. With this reclassification, all gains and losses on revaluation of investments are taken directly through the statement of comprehensive income. See accounting policies in the summarised financial statements.

19 Service and administration

The Scheme's administration is outsourced to Discovery Health (Pty) Ltd. The Scheme regularly reviews its service level agreements. The Scheme also ensures that effective service delivery and service levels are monitored and evaluated on an on-going basis.

20 Communication

Scheme communications continue to be aimed at the education and empowerment of members and elevating the profile of the Bankmed brand in order to retain the current membership and attract new members. Ongoing evaluation of communication tools and channels has ensured continuous improvement of the impact of the marketing and communication messages and strategies.

21 Managed care

The Scheme constantly reviews the manner in which it mitigates its clinical and financial risks while at the same time ensuring the provision of the highest quality of care to members. The Managed Care programmes will continue to undergo improvement and development in order to cater for the prevailing conditions in the industry, and the interest of the members.

22 Subsequent events

There have been no events that have occurred subsequent to the end of the accounting period that affect the summarised financial statements, and that the Trustees consider should be brought to the attention of the members of the Scheme.

23 Going concern

The trustees have no reason to believe that the Scheme will not be a going concern in the year ahead.

24 Board of Trustees

Ms D Mantle was elected as a trustee at the Annual General Meeting held on 28 June 2018, replacing Mr N Nyawo who resigned on this date. Mr G de Lange was re-elected at the Annual General Meeting held on 28 June 2018.

25 Vote of appreciation

On behalf of Bankmed the Board would like to express its thanks to:

- All members of Bankmed and their employers.
- Independent members of the Board committees for their support.
- The Executive team and staff for the diligent manner in which they have managed the affairs of the Scheme.
- The Registrar of Medical Schemes and his staff for their co-operation and assistance.
- Our contracted service suppliers, industry associations and healthcare service providers.

26 Conclusion

The Scheme is well positioned to meet the changes in the legislative framework and other industry challenges in the future. The Scheme continues to be financially strong and its products are competitive in terms of pricing, benefits and service levels.



EA SCHAFFRATH
CHAIRMAN



N NAIDOO
VICE CHAIRMAN



T MOSOMOTHANE
PRINCIPAL OFFICER

25 APRIL 2019

DATE

Summarised Financial Statements

for the year ended 31 December 2018

Trustees' responsibility and approval

The trustees are responsible for the preparation of the summarised financial statements, which fairly present the state of affairs of Bankmed, comprising the summarised statement of financial position at 31 December 2018, and the summarised statements of comprehensive income, summarised statement of changes in funds and reserve and summarised statement of cash flows for the year then ended, and the notes to the summarised financial statements. These include a summary of significant accounting policies and other explanatory notes in accordance with International Financial Reporting Standards, and in the manner required by the Medical Schemes Act of South Africa, as amended. In addition, the trustees are responsible for preparing the Board of Trustees report and the Statement of Corporate Governance.

The trustees are responsible for such internal controls as they deem necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The trustees ensure the use of appropriate accounting policies and prudent judgements and estimates. The trustees are also responsible for maintaining adequate accounting records and an effective system of risk management.

The trustees have made an assessment of the ability of the Scheme to continue as a going concern and have no reason to believe that the Scheme will not be a going concern in the year ahead.

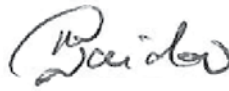
The external auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of the summarised financial statements

The summarised financial statements, as identified in the first paragraph, were approved by the Board of Trustees on 25 April 2019 and are signed on its behalf by:



EA SCHAFFRATH
CHAIRMAN



N NAIDOO
VICE CHAIRMAN



T MOSOMOTHANE
PRINCIPAL OFFICER

Statement of corporate governance by the Board of Trustees

Bankmed is committed to the principles and practice of responsibility, fairness, transparency, integrity and accountability in all dealings with its stakeholders. The Scheme conducts its affairs according to ethical values, and in compliance with a governance framework.

Board of Trustees

The trustees meet regularly and monitor the performance of the Scheme. They address a range of key issues and ensure that discussion of items of the policy, strategy and performance is critical, informed and constructive. The performance of third party service providers is monitored against contracted service level agreements. The trustees have adopted, and maintain, a process of risk identification, assessment and management.

All trustees have access to the advice and services of the Principal Officer and, where appropriate, may seek independent professional advice at the expense of the Scheme.

The Board of Trustees have appointed an Audit Committee, a Remuneration Committee, a Risk Management Committee, an Investment Committee, a Nominations Committee, an Optometry Tender Committee and an Actuarial Tender Committee to assist it in executing its duties. The performance of the Board of Trustees, and the appointed sub-committees, is assessed annually against agreed upon terms of reference for each committee.

Internal control

The Scheme maintains internal controls and systems designed to provide reasonable assurance as to the integrity and reliability of the summarised financial statements and to safeguard, verify and maintain accountability for its assets adequately. Such controls are based on established policies and procedures and are implemented by trained personnel with the appropriate segregation of duties. The adequacy and effectiveness of the systems are assessed by the appointment of internal and external auditors.

No event or item has come to the attention of the Board of Trustees that indicates any material breakdown in the functioning of the key internal controls and systems during the year under review.



EA SCHAFFRATH
CHAIRMAN



N NAIDOO
VICE CHAIRMAN



T MOSOMOTHANE
PRINCIPAL OFFICER

25 APRIL 2019

DATE

Independent Auditor's Report on Summary Financial Statements

To the Members of Bankmed

Opinion

The summary financial statements, as set out on pages 19 to 35, which comprise the summary statement of financial position as at 31 December 2018, the summary statement of comprehensive income, the summary statement of changes in members' funds, the summary cash flow statement for the year then ended, and related notes, are derived from the audited financial statements of Bankmed (the Scheme) for the year ended 31 December 2018.

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements, in accordance with the content and disclosure requirements of Circular 6 of 2013 issued by the Council for Medical Schemes.

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards and the Medical Schemes Act of South Africa. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon.

The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 30 April 2019. That report also includes:

- The communication of key audit matters.

Trustees' Responsibility for the Summary Financial Statements

The trustees are responsible for the preparation of the summary financial statements in accordance with the content and disclosure requirements of Circular 6 of 2013 issued by the Council for Medical Schemes.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standards on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.

Report on Other Legal and Regulatory Requirements

As required by the Council for Medical Schemes, we report the following material instances of non-compliance with the requirements of the Medical Schemes Act of South Africa as amended that have come to our attention during the course of our audit:

1. Contravention of Section 33 of Act, the Comprehensive, Plus and Traditional options reported a net healthcare deficit.

We draw your attention to note 14, instances of non-compliance with the Medical Schemes Act of South Africa for more detail.

Audit Tenure

As required by the Council for Medical Schemes' Circular 38 of 2018, Audit Tenure, we report that KPMG Inc. has been the auditor of Bankmed for 11 years.

The engagement partner, ZA Beseti, has been responsible for Bankmed's audit for 1 year.

KPMG Inc.

Per ZA Beseti
Chartered Accountant (SA)
Registered Auditor
30 April 2019

Summarised Statement of Financial Position

As at 31 December 2018

		2018	2017
ASSETS	Notes	R	R
Non-current assets		2 358 952 617	1 819 129 119
Equipment		1 017 880	1 032 166
Investments at fair value through profit or loss	2	2 357 934 737	-
Available-for-sale investments	2	-	1 818 096 953
Current assets		680 568 229	1 106 711 553
Investments at fair value through profit or loss	2	48 535 193	-
Available-for-sale investments	2	-	290 578 683
Insurance and other receivables		69 614 791	27 847 629
Cash and cash equivalents		562 418 245	788 285 241
Total assets		3 039 520 846	2 925 840 672
FUNDS AND LIABILITIES			
Members' funds		2 103 275 916	2 068 121 623
Accumulated funds		2 103 275 916	1 807 940 913
Available-for-sale reserve		-	260 180 710
Non-current liability		6 877 000	7 335 000
Post-retirement medical aid benefit liability		6 877 000	7 335 000
Current liabilities		929 367 930	850 384 049
Post-retirement medical aid benefit liability		973 000	995 000
Personal Medical Savings Account monies	3	715 516 783	661 884 214
Insurance and other payables		89 709 384	70 326 752
Outstanding risk claims provision	4	123 168 763	117 178 083
Total funds and liabilities		3 039 520 846	2 925 840 672

Summarised Statement of Comprehensive Income

For the year ended 31 December 2018

		2018	2017
	Notes	R	R
Risk contribution income	5	4 391 313 922	4 053 224 826
Relevant healthcare expenditure		(4 164 441 435)	(3 863 109 649)
Net claims incurred	6	(4 052 321 359)	(3 774 822 834)
Risk claims incurred		(4 062 247 508)	(3 780 207 956)
Third-party claim recoveries		9 926 149	5 385 122
Managed Care: management services	7	(120 542 999)	(111 405 009)
Net income on risk transfer arrangements	8	8 422 923	23 118 194
Risk transfer arrangements premiums paid		(199 780 526)	(163 898 687)
Recoveries from risk transfer arrangements		208 203 449	187 016 881
Gross healthcare surplus		226 872 487	190 115 177
Administration expenditure	9	(241 887 966)	(222 567 171)
Net impairment loss on insurance receivables		(4 934 338)	(3 929 060)
Net healthcare deficit		(19 949 817)	(36 381 054)
Other income		97 229 052	176 384 557
Investment income	10	97 147 731	169 057 753
Net realised gains on disposal of available-for-sale investments	11	-	5 913 261
Sundry income		81 321	1 413 543
Other expenditure		(42 559 942)	(57 164 618)
Asset management fees		(10 697 227)	(9 358 861)
Interest paid on Personal Medical Savings Accounts monies		(31 862 715)	(47 805 757)
Net surplus for the year		34 719 293	82 838 885
Other comprehensive income			
Items that will be reclassified to profit or loss:			
Net unrealised gains on revaluation of available-for-sale investments		-	73 752 174
Net realised gains on disposal of available-for-sale investments reclassified to profit or loss		-	(5 913 261)
Items that will not be reclassified to profit or loss:			
Actuarial gain/(loss) on post retirement liability		435 000	(22 000)
Total comprehensive income for the year		35 154 293	150 655 798

Summarised Statement of Changes in Funds and Reserves

For the year ended 31 December 2018

	Accumulated funds	Available-for-sale reserve	Total members' funds
	R	R	R
Balance at 1 January 2018	1 807 940 913	260 180 710	2 068 121 623
Change in accounting policy (Note 1.2)	260 180 710	(260 180 710)	-
Restated balance at 1 January 2018	2 068 121 623	-	2 068 121 623
Actuarial gain on post retirement liability	435 000	-	435 000
Net surplus for the year	34 719 293	-	34 719 293
Balance at 31 December 2018	2 103 275 916	-	2 103 275 916
Balance at 1 January 2017	1 725 124 028	192 341 797	1 917 465 825
Changes in Funds and Reserve for 2017			
Net unrealised gains on revaluation of available-for-sale investments	-	73 752 174	73 752 174
Net realised gains on disposal of available-for-sale investments transferred to the statement of comprehensive income		(5 913 261)	5 913 261
Actuarial loss on post retirement liability	(22 000)	-	(22 000)
Net movement recognised directly in Funds and Reserve	(22 000)	67 838 913	67 816 913
Net surplus for the year	82 838 885	-	82 838 885
Balance at 31 December 2017	1 807 940 913	260 180 710	2 068 121 623

Summarised Statement of Cash Flows

For the year ended 31 December 2018

		2018	2017
	Notes	R	R
Cash flows from operating activities			
Net surplus for the year		34 719 293	82 838 885
Adjustments for:			
- Depreciation	9	379 564	379 355
- Decrease in outstanding risk claims provision		5 990 680	(29 504 827)
- Dividend income	10	(26 688 807)	(20 392 716)
- Interest income	10	(161 375 846)	(148 665 037)
- Interest paid on Personal Medical Savings Account monies		31 862 715	47 805 757
- Net fair value losses on investments at fair value through profit or loss	10	90 916 922	-
- Net realised gains on available-for-sale investments	11	-	(5 913 261)
- Decrease in post retirement medical aid benefit liability - staff cost		(45 000)	(86 000)
Cash utilised in operations before working capital changes		(24 240 479)	(73 537 844)
Working capital changes			
-(Increase)/decrease in insurance and other receivables, excluding accrued interest		(32 712 840)	17 251 868
- Increase in insurance and other payables		19 382 632	25 031 960
- Increase in Personal Medical Savings Account monies		53 632 569	50 053 030
Cash generated by operations		16 061 882	18 799 014
Interest paid on Personal Medical Savings Account monies		(31 862 715)	(47 805 757)
Net cash utilised in operating activities		(15 800 833)	(29 006 743)
Cash flows from investing activities			
Purchase of equipment		(365 277)	(194 153)
Proceeds on disposal of investments at fair value through profit or loss	2	620 623 124	802 529 921
Purchase of investments at fair value through profit or loss	2	(1 009 334 341)	(1 343 290 835)
Interest income		152 321 524	148 320 016
Dividends income	10	26 688 807	20 392 716
Net cash utilised in investing activities		(210 066 163)	(372 242 335)
Net decrease in cash and cash equivalents		(225 866 996)	(401 249 078)
Cash and cash equivalents at the beginning of the year		788 285 241	1 189 534 319
Cash and cash equivalents at the end of the year		562 418 245	788 285 241

Notes to the Summarised Financial Statements

for the year ended 31 December 2018

1. Principal accounting policies

The principal accounting policies applied in the preparation of the summarised financial statements are consistent with the prior year, unless otherwise stated.

Statement of compliance

The summarised financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Medical Schemes Act of South Africa. In addition the Statement of Comprehensive Income is prepared in accordance with Circular 41 of 2012 and Circular 56 of 2015 of the Council for Medical Schemes (CMS) that set out their interpretation of IFRS as it relates to the Statement of Comprehensive Income for medical schemes in South Africa.

1.1 Basis of preparation

The summarised financial statements provide information regarding the financial position, results of operations and changes in financial position of the Scheme. These have been prepared under the historical cost convention, except for fair value through profit or loss investments and post-retirement medical aid benefit liability, which are measured at fair value and the insurance contract liabilities which are measured by discounting the contractual cashflows.

All monetary information and figures presented in the summarised financial statements are in South African Rand, which is the Scheme's functional currency, rounded to the nearest Rand, unless otherwise indicated.

Use of estimates, judgements and assumptions

The preparation of the summarised financial statements necessitates the use of estimates, judgements and assumptions. These estimates, judgements and assumptions affect the reported amount of assets, liabilities and contingent liabilities at reporting date and the reported income and expenditure for the year. The actual outcome may differ from these estimates, possibly significantly.

1.2 Standards and interpretations

Implementation of new standards

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and comprises guidance on Classification, Measurement, Impairment, Hedge Accounting and Derecognition. IFRS 9 introduces a new approach to the classification of financial assets, which is driven by the business model in which the asset is held and its cash flow characteristics. A new business model was introduced which allows certain financial assets to be categorised as "fair value through other comprehensive income" in certain circumstances.

The requirements for financial liabilities are mostly carried forward from IAS 39. Some changes were made to the fair value option for financial liabilities to address the issue of own credit risk allowing the recognition of these changes in other comprehensive income for liabilities designated as fair value through profit or loss.

The standard changes the impairment model from an incurred loss model and introduces a single "expected credit loss" impairment model for the measurement of financial assets.

The standard contains a new model for hedge accounting that aligns the accounting treatment with the entity's risk management activities. Enhanced disclosures will provide better information about risk management and the effect of hedge accounting on the financial statements.

The introduction of the expected credit loss model and the requirement for the loss allowance to be measured at an amount equal to the lifetime expected credit losses has been assessed and deemed appropriate to be applied in determining impairment of Loans and Receivables. In determining impairment of Insurance Receivables, the incurred loss model adopted under IFRS 4: Insurance Contracts has been assessed and is reasonable and appropriate to determine impairment of Insurance Receivables and this model will continue to be applied and the expected credit loss model not adopted to determine impairment of Insurance Receivables.

This Standard shall be applied for annual reporting periods beginning on or after 1 January 2018. The Scheme has applied this Standard from the effective date of 1 January 2018 and the Scheme did not apply the temporary exemption from IFRS 9 granted to insurers to defer the implementation of IFRS 9.

The Scheme used the exemption not to restate comparative periods. Differences in carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly the information presented for 2017 does not reflect the requirements of IFRS9 and therefore is not comparable to the information presented for 2018 under IFRS9.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at fair value through profit or loss.

If a debt security had low credit risk at the date of initial application of IFRS9, then the Scheme has assumed that credit risk on the asset had not increased significantly since its initial recognition.

New standards, amendments and interpretations relevant to the Scheme but not yet effective:

The following new standards, amendments and interpretations to the existing standards have been published and are not yet effective for the current financial year.

Title	Effective date – financial year commencing on or after
IAS 1 - Presentation of Financial Statements - Disclosure Initiative: The amendments clarify and align the definition of ‘material’ and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.	1 January 2020
IAS 8 - Accounting policies, Changes in Accounting Estimates and Errors - Disclosure Initiative: The amendments clarify and align the definition of ‘material’ and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.	1 January 2020
IFRS 17 - Insurance contracts - The IASB issued IFRS 17, ‘Insurance contracts’, and thereby started a new approach of accounting for insurers, which include Medical Schemes. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators.	1 January 2021

2. Investments at fair value through profit or loss

	2018	2017
	R	R
Fair value at the beginning of the year	2 108 675 636	1 494 162 548
Purchase of investments	1 009 334 341	1 343 290 835
Proceeds on disposal of investments	(620 623 124)	(802 529 921)
Unrealised gain on revaluation of investments	-	73 752 174
Net fair value losses on investments at fair value through profit or loss	(90 916 923)	-
Fair value at the end of the year	2 406 469 930	2 108 675 636
Less: Short-term portion shown in current assets	(48 535 193)	(290 578 683)
	2 357 934 737	1 818 096 953
The investments comprise:		
• Listed equities	631 435 779	669 839 527
• Offshore collective investment schemes	84 793 793	83 045 751
• Money market instruments	742 284 380	630 932 158
• Bonds	932 339 053	695 908 358
• Rand denominated offshore bonds	15 616 925	28 949 842
	2 406 469 930	2 108 675 636

The Scheme had previously reported its investments as available-for-sale investments. Under the new IFRS9 standard all investments are reclassified as “investments held at fair value through profit or loss” effective 1 January 2018. See implementation of new standards on page 23.

A register of investments is available for inspection at the registered office of the Scheme.

The weighted average effective interest rate on bonds for the year was 7.72% (2017: 10.18%).

3. Personal Medical Savings Account monies

	2018	2017
	R	R
Balance due to members on Personal Medical Savings Account liability at the beginning of the year	661 884 214	611 831 184
Add:		
• Personal Medical Savings Account contributions received or receivable for the current year (Note 5)	648 624 811	604 549 786
• Interest allocated to members' savings accounts	31 862 715	47 805 757
• Transfers into the Scheme	3 311 710	2 403 854
Less:		
• Savings payouts on death or resignation	(41 425 652)	(36 828 647)
• Savings claims paid (Note 6)	(588 741 015)	(567 877 720)
Balance due to members on Personal Medical Savings Account held at the end of the year	715 516 783	661 884 214

Per the rules of the Scheme, interest on Personal Medical Savings Account monies only accrues to members on a monthly basis on positive balances existing at that date.

In accordance with the rules of the Scheme, the Personal Medical Savings Account monies are underwritten by the Scheme. The Personal Medical Savings Account liability contains a demand feature in terms of Regulation 10 of the Medical Schemes Act which requires that any credit balance on a member's Personal Medical Savings Account must be taken as a cash benefit when the member terminates his or her membership of the Scheme or benefit option, and then enrolls in another benefit option or medical scheme without a Personal Medical Savings Account or does not enrol in another medical scheme.

It is estimated that claims to be paid out of members' savings accounts in respect of claims incurred in 2018 but not recorded will amount to R4.7m (2017 : R4.3m).

As at year-end the carrying amount of the Personal Medical Savings Account was deemed to be equal to their fair values, which is of a short-term nature.

4. Outstanding risk claims provision

	2018		2017	
	R	R	R	R
	Covered by risk transfer arrangements	Not covered by risk transfer arrangements	Covered by risk transfer arrangements	Not covered by risk transfer arrangements
Provision for outstanding risk claims - incurred but not reported	8 779 285	114 389 478	5 529 717	111 648 366
Analysis of movements in outstanding risk claims				
Balance at beginning of the year	5 529 717	111 648 366	2 437 616	144 245 294
Payments in respect of the prior year	(5 529 717)	(108 732 440)	(2 437 616)	(136 390 881)
Over provision in respect of the prior year	-	2 915 926	-	7 854 413
Adjustment for the current year	8 779 285	111 473 552	5 529 717	103 793 953
Balance at end of the year	8 779 285	114 389 478	5 529 717	111 648 366
Analysis of outstanding risk claims provision				
Estimated gross claims	8 779 285	114 389 478	5 529 717	111 648 366
Outstanding risk claims provision relating to risk transfer arrangements	-	119 070 086	-	115 974 186
Less: Estimated recoveries from Personal Medical Savings Account	8 779 285	-	5 529 717	-
	-	(4 680 608)	-	(4 325 820)
Total outstanding risk claim provision per statement of financial position - covered by risk transfer arrangements and not covered by risk transfer arrangements.		123 168 763		117 178 083

Process and assumptions used to prepare estimates

The process used to determine the assumptions in respect of risk claims provisioning is intended to result in realistic estimates of the most likely or expected outcome. The sources of data used as inputs for the assumptions are internal, using detailed studies that are carried out monthly. There is more emphasis on current trends, and where in early years, there is insufficient information to make a reliable best estimate of claims development, prudent assumptions are used.

Each notified claim is assessed on a separate, case-by-case basis with due regard to the claim circumstances, information available from managed care: management services and historical evidence of the size of similar claims. The provisions are based on information currently available. However, the actual claims incurred may vary from the estimate of outstanding risk claims provision. Reasons for this include differences in the underlying insurance contract, claim complexity, the volume of claims, the individual severity of claims, determining the occurrence date of a claim, and reporting lags.

The Chain Ladder method is used to estimate the most likely cost of outstanding claims. This method extrapolates the development of paid and incurred claims to estimate the ultimate claim amounts for each benefit month based upon observed developments of earlier periods. In this instance, actual claims paid to the mid-March 2019 claims run were combined with an extrapolation of future claims paid at claims runs occurring after mid-March 2019. It is assumed that the payments of future claims will emerge in a manner that is consistent with the historical pattern.

The actual method used is consistent with prior years and considers categories of claims and observed historical claims development. To the extent that these methods use historical claims development information they assume that the historical claims development pattern will occur again in the future. There are reasons why this may not be the case, which, in so far as they can be identified, have been allowed for by modifying the methods. Such reasons include:

- changes in processes that affect the recording and settlement of claim payments;
- economic, legal, political and social trends that result in different than expected levels of inflation and/or medical benefits to be provided;
- changes in the Scheme's composition of members and their dependants; and
- random fluctuations, including the impact of large losses.

Assumptions

The assumptions that have the greatest effect on the measurement of the outstanding risk claims provision are the expected percentages of claims settled at each claims run occurring after the January 2019 claims run.

The claims outstanding at the end of the year are shown in the table below as a percentage of total expected claims for each service month:

	September and prior	October	November	December
Bankmed Essential	1%	2%	11%	49%
Bankmed Basic	2%	7%	15%	53%
Bankmed Core Saver	1%	3%	11%	41%
Bankmed Traditional	3%	2%	6%	33%
Bankmed Comprehensive	1%	3%	8%	33%
Bankmed Plus	1%	8%	5%	36%
Average	4%	3%	9%	31%

Changes in assumptions and sensitivities to changes in key variables

The table below outlines the sensitivity of the outstanding risk claims provision to changes in the assumed proportion of claims outstanding used in the estimation process. It should be noted that this is a deterministic approach with no allowance for possible correlations between the key variables.

An analysis of the outstanding risk claims provision's sensitivity provides an indication of the adequacy of the Scheme's estimation process. The Scheme believes that the outstanding risk claims provision in the statement of financial position is adequate. However, it recognises that the process of estimation is based upon expected values for certain variables and assumptions of which the actual values might be different.

The table outlines the sensitivity of these percentages, and the impact on the Scheme's liabilities if an incorrect assumption is used.

	2018	2017
	R	R
Effect of a 1% increase in assumed percentage	13 817 966	12 507 623
Effect of a 2% increase in assumed percentage	27 971 283	25 306 049
Effect of a 3% increase in assumed percentage	42 472 813	38 405 735

5 Risk contribution income

	2018	2017
	R	R
Gross contributions per registered rules	5 039 938 733	4 657 774 612
Less: Personal Medical Savings Account contributions received (Note 3)	(648 624 811)	(604 549 786)
	4 391 313 922	4 053 224 826

The Savings contributions received by the Scheme are in terms of Regulation 10(1) and the Scheme's registered Rules. Refer to Note 3 for more detail on how these monies were utilised.

6. Net claims incurred

Claims incurred excluding claims incurred in respect of risk transfer arrangements

	2018 R	2017 R
Current year claims	4 331 311 522	4 057 274 842
Movement in outstanding risk claims provision (Note 4)	111 473 552	103 793 953
• Over provision in the prior year (Note 4)	(2 915 926)	(7 854 413)
• Current year balance	114 389 478	111 648 366
Less :		
• Savings claims paid (Note 3)	(588 741 015)	(567 877 720)
	3 854 044 059	3 593 191 075

Claims incurred in respect of risk transfer arrangements

Current year claims	199 424 164	181 487 164
Movement in outstanding claims provision	8 779 285	5 529 717
• Adjustment for the current year (Note 4)		
	208 203 449	187 016 881

Total risk claims incurred

4 062 247 508 **3 780 207 956**

Less: third party claim recoveries

• Recoveries from the Road Accident Fund	(1 353 594)	-
• Forensic recoveries	(8 572 555)	(5 385 122)

Net claims incurred

4 052 321 359 **3 774 822 834**

7. Managed Care: management services

Clinical risk management	33 986 196	31 477 505
Hospital referrals and pre-authorisations	31 554 176	29 227 136
Medical provider network management	29 350 554	27 180 626
Pharmacy benefit management	25 652 073	23 519 742
	120 542 999	111 405 009

8. Net income on risk transfer arrangements

	2018 R	2017 R
Recoveries received on risk transfer arrangements	208 203 449	187 016 881
• Discovery Health	147 966 733	124 108 216
• Preferred Provider Negotiators	52 983 092	56 596 599
• Centre for Diabetes and Endocrinology	7 253 624	6 312 066
Less:		
Premiums paid on risk transfer arrangements	(199 780 526)	(163 898 687)
• Discovery Health	(143 560 951)	(110 988 851)
• Preferred Provider Negotiators	(50 011 115)	(47 372 432)
• Centre for Diabetes and Endocrinology	(6 208 460)	(5 537 404)
	8 422 923	23 118 194

The Scheme renewed four existing risk transfer arrangements during 2018.

Discovery Health (Pty) Ltd

Primary healthcare for the Basic and Essential options are covered by the risk transfer arrangement with Discovery Health (Pty) Ltd. The risk transfer agreement is in accordance with instructions given by the Scheme. The risk transfer premiums are charged on a per beneficiary basis.

Discovery Health (Pty) Ltd

Discovery Health (Pty) Ltd provides emergency evacuation services to members of all options of the Scheme. The risk transfer agreement is in accordance with instructions given by the Scheme. The risk transfer premiums are charged on a per beneficiary basis.

Preferred Provider Negotiators (Pty) Ltd

Preferred Provider Negotiators (Pty) Ltd (PPN) covered the optometry benefits for the Comprehensive and Traditional options. The risk transfer agreement was in accordance with instructions given by the Scheme. The risk transfer premiums were charged on a per beneficiary basis. The contract expired on 31 December 2018, and was not renewed.

Centre for Diabetes and Endocrinology (Pty) Ltd

The Centre for Diabetes and Endocrinology (Pty) Ltd provides diabetes benefits to members of all plans of the Scheme, except for the Bankmed Basic and PMB plans. The risk transfer agreement is in accordance with instructions given by the Scheme. The risk transfer premiums are charged on a per enrollee basis.

9 Administration expenditure

	2018	2017
	R	R
Administration fees	189 937 557	176 068 904
Actuarial fees	2 297 716	2 120 053
Association fees	584 118	541 274
Audit fees (external)	826 491	878 967
Communication expenses	11 177 788	9 772 709
Consulting fees	1 631 702	1 782 255
Depreciation	379 564	379 355
Fidelity guarantee and professional indemnity insurance premium	202 898	203 078
Internal audit costs	561 373	526 237
Office lease and other rental charges	2 562 161	2 488 342
Legal fees	554 614	430 025
Levies - Council for Medical Schemes	3 919 140	3 631 325
Principal Officer's remuneration	3 101 988	2 846 494
Trustee remuneration	2 658 884	2 333 136
Staff costs	15 414 988	12 851 510
Other expenses	6 076 984	5 713 507
	241 887 966	222 567 171

10 Investment income

	2018	2017
	R	R
Investments at fair value through profit or loss (previously available-for-sale)	96 854 989	96 815 412
• Dividend income	26 688 807	20 392 716
• Interest income	70 166 182	76 422 696
Net fair value losses on investments at fair value through profit or loss	(90 916 922)	-
Cash and cash equivalents interest income	91 209 664	72 242 341
	97 147 731	169 057 753

11 Net realised gains on disposal of available-for-sale investments

	2018	2017
	R	R
Realised gains on available-for-sale investments	-	30 853 448
• Listed equities	-	23 507 266
• Bonds	-	5 910 877
• Money market instruments	-	1 435 305
Realised losses on available-for-sale investments	-	(24 940 187)
• Listed equities	-	(15 280 472)
• Bonds	-	(9 598 696)
• Money market instruments	-	(61 019)
	-	5 913 261

12 Surplus/(deficit) after investment income, other income and other expenditure per benefit option

2018	Bankmed Essential R	Bankmed Basic R	Bankmed Core Saver R	Bankmed Traditional R	Bankmed Comprehensive R	Bankmed Plus R	Total R
Risk contribution income	43 709 263	579 974 471	761 337 057	704 571 997	2 022 308 394	279 412 740	4 391 313 922
Relevant healthcare expenditure	(16 624 155)	(443 906 707)	(562 897 774)	(678 321 912)	(2 134 777 249)	(327 913 638)	(4 164 441 435)
Net claims incurred	(13 852 709)	(413 536 999)	(537 290 143)	(661 852 983)	(2 101 381 405)	(324 407 120)	(4 052 321 359)
Risk claims incurred	(13 879 009)	(414 291 289)	(538 657 810)	(663 517 700)	(2 106 661 249)	(325 240 451)	(4 062 247 508)
Third party claim recoveries	26 300	754 290	1 367 667	1 664 717	5 279 844	833 331	9 926 149
Managed care: management services	(3 034 232)	(24 119 472)	(28 907 509)	(15 021 569)	(45 403 077)	(4 057 140)	(120 542 999)
Net income/(expense) on risk transfer arrangements	262 786	(6 250 236)	3 299 878	(1 447 360)	12 007 233	550 622	8 422 923
Risk transfer arrangements premiums paid	(3 404 802)	(127 672 085)	(4 331 024)	(18 602 326)	(44 639 298)	(1 130 991)	(199 780 526)
Recoveries from risk transfer arrangements	3 667 588	121 421 849	7 630 902	17 154 966	56 646 531	1 681 613	208 203 449
Gross healthcare surplus/(deficit)	27 085 108	136 067 764	198 439 283	26 250 085	(112 468 855)	(48 500 898)	226 872 487
Administration expenditure	(6 054 708)	(49 444 903)	(57 680 175)	(29 997 454)	(90 609 144)	(8 101 582)	(241 887 966)
Net impairment loss on insurance receivables	(86 506)	(822 726)	(1 223 073)	(653 383)	(1 972 107)	(176 543)	(4 934 338)
Net healthcare surplus/(deficit)	20 943 894	85 800 135	139 536 035	(4 400 752)	(205 050 106)	(56 779 023)	(19 949 817)
Other income	1 657 832	13 182 052	24 262 181	8 110 058	45 817 925	4 199 004	97 229 052
Net investment income excluding return on Personal Medical Savings Account monies invested	1 655 769	13 165 652	15 689 883	8 099 968	24 486 342	2 187 400	65 285 016
Net return on Personal Medical Savings Account monies invested	-	-	8 552 754	-	21 301 082	2 008 879	31 862 715
Sundry income	2 062	16 399	19 544	10 090	30 501	2 725	81 321
Other expenditure	(271 305)	(2 157 248)	(11 123 608)	(1 327 214)	(25 313 274)	(2 367 294)	(42 559 942)
Asset management fees	(271 305)	(2 157 248)	(2 570 854)	(1 327 214)	(4 012 191)	(358 415)	(10 697 227)
Interest paid on Personal Medical Savings Account monies	-	-	(8 552 754)	-	(21 301 082)	(2 008 879)	(31 862 715)
Net surplus/(deficit) for the year	22 330 421	96 824 939	152 674 608	2 382 092	(184 545 454)	(54 947 313)	34 719 293

2017	Bankmed Essential R	Bankmed Basic R	Bankmed Core Saver R	Bankmed Traditional R	Bankmed Comprehensive R	Bankmed Plus R	Total R
Risk contribution income	33 019 723	513 640 900	628 729 470	675 087 756	1 932 997 691	269 749 286	4 053 224 826
Relevant healthcare expenditure	(13 710 970)	(377 823 909)	(457 954 873)	(642 566 982)	(2 051 438 864)	(319 614 051)	(3 863 109 649)
Net claims incurred	(11 071 831)	(362 515 137)	(435 364 729)	(627 457 343)	(2 022 371 379)	(316 042 415)	(3 774 822 834)
Risk claims incurred	(11 087 626)	(363 032 297)	(435 985 816)	(628 352 467)	(2 025 256 472)	(316 493 278)	(3 780 207 956)
Third party claim recoveries	15 795	517 160	621 087	895 124	2 885 093	450 863	5 385 122
Managed care: management services	(2 336 923)	(22 112 252)	(24 499 539)	(14 532 061)	(43 978 137)	(3 946 097)	(111 405 009)
Net income/(expense) on risk transfer arrangements	(302 216)	6 803 480	1 909 395	(577 578)	14 910 652	374 461	23 118 194
Risk transfer arrangements premiums paid	(2 255 749)	(96 993 191)	(3 650 774)	(17 682 327)	(42 256 688)	(1 059 958)	(163 898 687)
Recoveries from risk transfer arrangements	1 953 533	103 796 671	5 560 169	17 104 749	57 167 340	1 434 419	187 016 881
Gross healthcare surplus/(deficit)	19 308 753	135 816 991	170 774 597	32 520 774	(118 441 173)	(49 864 765)	190 115 177
Administration expenditure	(4 630 854)	(44 932 109)	(48 561 888)	(28 941 053)	(87 640 782)	(7 860 485)	(222 567 171)
Net impairment loss on insurance receivables	(58 609)	(642 858)	(889 342)	(544 013)	(1 646 237)	(148 001)	(3 929 060)
Net healthcare surplus/(deficit)	14 619 290	90 242 024	121 323 367	3 035 708	(207 728 192)	(57 873 251)	(36 381 054)
Other income	2 702 306	25 575 775	41 147 628	16 752 785	82 644 006	7 562 057	176 384 557
Net investment income excluding return on Personal Medical Savings Account monies invested	2 548 321	24 118 391	26 701 867	15 798 162	47 796 413	4 288 842	121 251 996
Net realised gain on disposal of available-for-sale investments	-	-	12 832 267	-	31 959 434	3 014 056	47 805 757
Sundry income	124 277	1 176 214	1 302 206	770 450	2 330 954	209 160	5 913 261
Sundry income	29 708	281 170	311 288	184 173	557 205	49 999	1 413 543
Other expenditure	(196 693)	(1 861 583)	(14 893 256)	(1 219 384)	(35 648 611)	(3 345 091)	(57 164 618)
Asset management fees	(196 693)	(1 861 583)	(2 060 989)	(1 219 384)	(3 689 177)	(331 035)	(9 358 861)
Interest paid on Personal Medical Savings Account monies	-	-	(12 832 267)	-	(31 959 434)	(3 014 056)	(47 805 757)
Net surplus/(deficit) for the year	17 124 903	113 956 216	147 577 739	18 569 109	(160 732 797)	(53 656 285)	82 838 885

13 Related party disclosures

Parties with significant influence over the Scheme

ABSA Bank Ltd, FirstRand Bank Ltd and The Standard Bank of South Africa Ltd have significant influence over the Scheme, as they participate in the Scheme's financial and operating policy decisions through representation on the Board of Trustees, but do not control the Scheme.

NMG Consultants and Actuaries (Pty) Ltd (previously Towers Watson (Pty) Ltd) has significant influence over the Scheme, as it consults and advises on various strategic issues which guide the Scheme's operations, but does not control the Scheme.

Discovery Health (Pty) Ltd has significant influence over the Scheme, as it provides administration and managed care services as well as financial and operational information on which policy decisions are based. The Scheme furthermore has a risk transfer arrangement for the Basic and Essential options with Discovery Health (Pty) Ltd.

The Scheme contracted with Discovery Third Party Recovery Services (Pty) Ltd (DTPRS), a wholly owned subsidiary of Discovery Health (Pty) Ltd, to manage the identification and collection of third party recoveries from the Road Accident Fund.

The managed care organisation, Preferred Provider Negotiators (Pty) Ltd, has significant influence over the Scheme in terms of the risk transfer arrangement for Comprehensive and Traditional options, but does not control the Scheme.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Scheme. Key management personnel include the Board of Trustees, the Principal Officer and the executive team. The disclosure deals with full-time personnel that are compensated on a salary basis (Principal Officer and the executive team) and part-time personnel that are compensated on a fee basis (Board of Trustees).

Key management personnel, their close members of family and entities which they control, jointly control, or over which they exercise significant influence, are considered related parties of the Scheme.

Transactions and balances with key management personnel

The following table provides the total amount of transactions, entered into with related parties for the relevant financial year.

	2018	2017
	R	R
Statement of comprehensive income		
Compensation		
Short-term employee benefits	9 594 399	8 396 004
Trustee remuneration	2 658 884	2 333 136
Total compensation paid to key management personnel	12 253 283	10 729 140
Contributions and claims		
Contributions received	858 347	873 647
Claims incurred	770 048	590 072
Personal Medical Savings Account interest	4 128	9 866
Statement of financial position		
Personal Medical Savings Account monies	44 302	118 878

The terms and conditions of the related party transactions were as follows:

Transaction	Nature of transactions and terms and conditions thereof
Contributions received	This constitutes the contributions paid by the related party as a member of the Scheme, in their individual capacity. All contributions were at the same terms as applicable to third parties.
Claims incurred	This constitutes amounts claimed by the related parties, in their individual capacity as members of the Scheme. All claims were paid out in terms of the rules of the Scheme, as applicable to third parties.
Personal Medical Savings Account monies	The amounts owing to the related parties relate to medical aid savings balances to which the parties have a right. In line with the provisions of Circular 38, all interest earned on the allocated to members Personal Medical Savings Accounts. The amounts are all current, and are payable on demand should an appropriate claim be issued, or the member exit the Scheme.

Transactions and balances with related parties

	2018	2017
	R	R
Statement of comprehensive income		
Actuarial fees	2 297 716	2 120 053
Administration fees	189 937 557	176 068 904
Road Accident Fund recoveries	1 353 594	-
Risk transfer premiums paid	193 572 066	158 361 283
Managed care: Management services	105 557 507	97 762 099
Statement of financial position		
Investments at fair value through profit or loss: Participating employers	336 849 133	245 043 736
Cash and cash equivalents: Participating employers	628 569 946	644 041 886
Insurance and other payables	17 665 739	15 585 132
Share of outstanding claims provision	7 364 165	4 442 466

Terms and conditions of the risk transfer agreements

The risk transfer agreements are in accordance with instructions given by the trustees of the Scheme. The agreements are reviewed annually and are renewable depending on fee negotiations.

Terms and conditions of the managed care agreements

The managed care agreements are in accordance with instructions given by the trustees of the Scheme. The agreements are reviewed annually and are renewable depending on fee negotiations.

Terms and conditions of the actuarial contract

The actuarial agreement is in accordance with instructions given by the trustees of the Scheme. The agreement is reviewed annually and is renewable depending on fee negotiations, unless notification of termination is received. The Scheme has the right to terminate the agreement on 90 days notice.

Terms and conditions of investments in participating employers

All investments in participating employers are made and managed via external investment managers and are managed in terms of the agreed mandates.

14 Non-compliance with the Medical Schemes Act No 131 of 1998

14.1 Non-compliance with Section 33(2)(b) and Section 33(2)(c) - Financial performance and soundness of the Bankmed benefit options

Nature and impact

In terms of Sections 33(2)(b) and 33(2)(c) of the Act, each benefit option shall be self-supporting in terms of membership and financial performance and be financially sound. The Bankmed Comprehensive, Plus and Traditional plans incurred net healthcare deficits for the year ended 31 December 2018, thereby contravening Section 33(2)(b) and Section 33(2)(c) of the Act.

Causes for the failure

The Scheme's benefit design process always includes considerations which look at the Scheme as a whole, needing to provide a full range of benefit options to cater for the target population, and takes into account the Scheme's financial stability and current reserve levels. Similar losses were anticipated in the budget, which was approved by the Council for Medical Schemes (CMS).

Corrective action

The benefits and contributions proposal approved by the CMS for 2018 included budgeted losses for the benefit options which generated operational losses. As required by the CMS, the Scheme continues to submit monthly management accounts reflecting the performance of the benefit options.

14.2 Non-compliance with Section 26(7) – Late payment of contributions

Nature and impact

Contributions due from a number of employers were received more than three days after becoming due in certain months during 2018, which is in contravention of Section 26(7) of the Act.

Causes for the failure

Due to internal process delays some employers did not pay contributions on behalf of members within three days of becoming due. As a result the Scheme is in contravention of Section 26(7) of the Act.

Corrective action

Scheme management continues to engage any employer group that pays late, and appropriate action is taken as and when necessary. The administrator's robust follow-up processes have been instrumental in ensuring continuous improvement in timeous payment of contributions by employer groups.

14.3 Non-compliance with Section 35(8)(a) – Investments in participating employers

Nature and impact

The Scheme holds investments, via various instruments, with ABSA Bank Ltd, FirstRand Bank Ltd, Landbank SOC Ltd and The Standard Bank of South Africa Ltd who are participating employers of the Scheme. The Scheme also banks with FirstRand Bank Ltd and therefore has various current accounts with this employer. This is in contravention of Section 35(8)(a) of the Act, as the Scheme is not allowed to hold investments in any participating employer.

Causes for the failure

As these institutions are major commercial banks an investment portfolio excluding these employers would fail to perform optimally in the South African investment markets. Funds are therefore invested in various instruments issued by these participating employers. Investments in publicly traded instruments of participating employers are made and managed via external investment managers and are managed in terms of the agreed mandates.

Corrective action

The Scheme has obtained an exemption from the CMS.

14.4 Non-compliance with Section 35(8)(c) – Investments in any administrator

Nature and impact

The Scheme has investments in other administrators via unitised fund holdings within the Investec Absolute Opportunity and Prudential Global Real Return portfolios.

Causes for the failure

The Scheme invests in pooled investment products with independent third party asset managers who have full discretionary mandates in terms of asset purchases. All such investment decisions are made by these third party asset managers based on their own investment theses. The Scheme is not involved in this investment decision making process as the asset manager is solely responsible for the asset selection and investment performance of the portfolio.

Corrective action

The Scheme has obtained an exemption from the CMS.

14.5 Non-compliance with Section 59(2) – Payment of claims within 30 days

Nature and impact

Member or provider claims should be settled within 30 days of submission. Instances were noted where settlements took more than 30 days.

Causes for the failure

Due to a conflict in the payment run dates that were loaded on the administration system for the generation of cheques to members and providers, 16 claims were paid after 30 days from receipt.

Corrective action

The error is not expected to re-occur as the Scheme no longer reimburses claims by means of cheque payments.

Bankmed Trustee Fee Policy

Incorporating Independent Committee Members

Version number:	5	
Summary:	This document sets out the policy for fees paid to the Trustees of the Board.	
Proposed by:	Chief Executive Officer	Mr Teddy Mosomothane
	Date	7 February 2019
Approved by the Remuneration Committee for noting at the Annual General Meeting (AGM):	Chairman of the Remuneration Committee	Mr A Schaffrath
	Date	7 February 2019
Effective for the year ending:	Date	31 December 2019
Next revision date:	Date	21 November 2019
Policy implementer/administrator:	Chief Executive Officer	

1. Objectives of the policy

The purpose of this policy is to document Bankmed's approach for fees paid to Trustees for services rendered in their capacity as a Trustee of the Board and of the Board's committees.

2. Scope

Once approved, this policy is applicable to all current Trustees formally appointed to Bankmed's Board and committees.

3. Principles

The following principles underpin Bankmed's approach to Trustee and independent committee member fees:

- 3.1. **Remuneration stance.** Bankmed wishes to remunerate its member-elected and employer-appointed Trustees for their contribution to the Board and its various committees. This will include independent committee members serving on any committee of the Board.

Employer-appointed Trustees may elect not to receive the fee in their personal capacity. In this event, the fee shall either be waived in writing or paid to the respective employer organisation, as directed by the Trustee.
- 3.2. **The quantum of the fee.** In setting the quantum of the fee Bankmed acknowledges:
 - The role of the Trustee is akin to that of a non-executive director. This means that the role of the Trustee is primarily one of strategic oversight dealing with long-term sustainability issues. The normal role of the Trustee is therefore to provide a creative and informed contribution and to act as a constructive critic in looking at the objectives and plans devised by the executive team. Trustees should not be treated as employees with a 'portfolio' of day-to-day responsibilities for the Scheme.
 - Trustees carry personal liability for the oversight role of the Scheme.
 - As a medical scheme, Bankmed has a non-profit motive.
 - The public interest of providing affordable healthcare.
- 3.3. **Differentiating the fee.** Fees will typically vary according to the responsibility of the Trustee or committee member. Fees for the Board chair and the committee chair will therefore carry a premium over an ordinary member's fee.

4. The fee structure

- 4.1. The fee will comprise of an attendance fee per scheduled meeting attended as per the sign-on register.
- 4.2. Persistent late coming and tardiness shall, at the discretion of the chair, result in non-payment, or pro-rata payment for the meeting fee. Disqualification of attendance fees shall be based on the holistic performance of the Trustee as determined by the chair from time to time.
- 4.3. A fee will not be paid for non-attendance.
- 4.4. The fee shall be payable within 10 days of the meeting subject to the timely receipt of evidence of attendance (signed attendance register).

5. Scheduled meetings

- 5.1. Core meetings shall be scheduled in advance each year.
- 5.2. The number of core meetings that are expected to be held each year are indicated in Appendix A.

6. Expenses

- 6.1. Trustees shall be reimbursed for all reasonable expenses incurred by them for attendance at the meetings and the annual strategy session.
- 6.2. Travel and accommodation requirements for attendance at these meetings shall be co-ordinated by Bankmed.
- 6.3. Trustees shall be reimbursed for all reasonable and properly-documented travel, meal and accommodation expenses that were incurred for attendance at these meetings. The receipts and documentation associated with these expenses must be submitted to Bankmed's Finance Department.

7. Taxation or statutory deductions

Consistent with the Income Tax Act, of 1962, as amended, fees paid to Trustees shall be subject to applicable withholding tax (if any), in compliance with the latest regulations in this regard.

8. Consulting services

Fees shall not be paid for consulting services performed by any Trustee to the Board or the Scheme, as this impinges on their independence and increases the risk of a conflict of interest, between their independent role as a Trustee and their role as consultant.

9. Conferences

Fees shall not be payable for attendance at conferences, over and above the conference cost as well as accommodation, where applicable.

10. Annual General Meeting (AGM)

10.1. The notice of the AGM shall be distributed to the members and the CMS at least 14 days before the AGM.

10.2. Trustee fees and all expense reimbursements shall be disclosed in the Annual Financial Statements on an individual Trustee basis, rather than on a 'globular' basis, in order to promote transparency.

10.3. The Annual Financial Statements are available to all members.

11. Review of fees

Market trends will normally guide the Remuneration Committee in proposing any increases to the Trustee fees. In addition, the fees shall be benchmarked to similar size restricted medical schemes, from time to time.

12. Monitoring and review of the policy

12.1. Adherence to this policy shall be monitored by the CEO's office. Any party found to be in non-compliance with the Trustee Fee Policy will be dealt with in accordance with Bankmed's Disciplinary Policy.

12.2. Changes to this policy shall be recommended by the Remuneration Committee.

Annexure A: Core meetings per annum

Committee	Number of core meetings
Board of Trustees	7**
Audit Committee	4
Remuneration Committee	2
Risk Management Committee	4
Investment Committee	4

** Board= 4 = 4
Strategy = 1
Benefit Design = 2 max



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