

**Notice of the Annual General Meeting
to be held on 1 October 2020**

**Includes the 2019
Summarised Financial Statements**

BANKMED
AGM 2020

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 106th Annual General Meeting of Bankmed will be held, via a virtual meeting platform, on Thursday, 1 October 2020, at 15h00.

Agenda

1. To read the notice convening the meeting
2. To approve the minutes of the 105th Annual General Meeting held on Thursday 27 June 2019
3. Feedback on matters arising and general update: Review of the Trustee Fee Policy
4. To receive and adopt the audited Financial Statements and the Annual Report of the Board of Trustees for the year ended 31 December 2019
5. To note the Bankmed Trustee Fee Policy, and approve the proposed Trustee Fee increase for 2020/2021
6. To appoint the auditors for the ensuing year
7. To transact any other business of which notice was given by 30 June 2020
8. Announcement of the newly elected members of the Board of Trustees
9. Closure

By order of the Board



EA SCHAFFRATH

MINUTES OF THE 105TH ANNUAL GENERAL MEETING OF BANKMED

Date and time: Thursday, 27 June 2019 at 17h00

Venue: Johannesburg Country Club (JCC), 1 Napier Road, Auckland Park, Johannesburg

Attendees:

Bankmed Board of Trustees present:	Mr EA Schaffrath	Chairman
	Mr N Naidoo	Vice Chairman
	Mr G de Lange	
	Mr R Gush	
	Mr J Henning	
	Ms G Noemdoe	
	Mr D Bolt	
	Mr D Mkhonza	
	Ms D Mantle	
Independent Chairperson of the Bankmed Audit Committee	Ms F Petersen-Cook	
Officials in attendance:	Mr T Mosomothane	Principal Officer
	Dr N Naidoo	Clinical and Operations Executive
	Mr N Coghlan	Finance and Risk Executive
	Ms M Bam	Senior Manager: Client Management
	Ms L Diba	Senior Manager: Client Management
Bankmed members:	41 Principal Members	
Apologies:	Bankmed Board of Trustees	Mr D Armstrong
	Administrator:	Mr S Johnston

ITEMS MINUTED

1. OPENING, WELCOME AND ATTENDANCE

ACTION

The Chairman, Mr Alex Schaffrath, welcomed all present to the 105th Annual General Meeting (“AGM”) of Bankmed.

Ms Avril Jacobs, a representative from the Council for Medical Schemes (CMS), and Ms Fagmeedah Petersen-Cook, independent Chairperson of the Bankmed Audit Committee, were welcomed.

It was noted that Bankmed would be assisted by the Scheme’s Independent Electoral Body, namely PricewaterhouseCoopers Advisory Services (Pty) Ltd (“PwC”), during the proceedings.

In terms of Rule 28.3 of the Bankmed Scheme Rules, 30 members are required to be present at the AGM 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.

Members were reminded to address any personal member queries with the Bankmed Customer Liaison Managers present at the AGM. Questions 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.

It was requested that members state their name and surname when asking questions during the AGM as this detail was required for minute-taking purposes. If the name and surname is not given or is not audible, the minutes would reflect “member”.

Attendees were provided with red and blue bands upon entering the venue. Principal Members in good standing were presented 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 before the AGM and the results would be announced later in the evening. PwC would confirm the results.

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 3 June 2019. Members with an e-mail address were issued with the Notice on 3 June 2019 while members without an e-mail address were posted a notice from 3 June to 4 June 2019. The documents were also made available online.

3. MINUTES OF THE 104TH AGM HELD ON THURSDAY, 28 JUNE 2018

ACTION

The draft minutes of the 104th AGM held on Thursday, 28 June 2018 were included in the booklet (as well as made available to members online) for review and approval, and were taken as read.

Mr Minnie: Referred to section 5 of the minutes, where the minutes read: “The Principal Officer confirmed that both the summarised Annual Financial Statements and the detailed Annual Financial Statements were audited by the external auditors and approved by the Board of Trustees”, and queried the correctness of referring to the summarised Annual Financial Statements as having been “audited”.

The Chairman responded and indicated that the summarised Annual Financial Statements were extracted from audited Annual Financial Statements.

Mr Minnie queried the accuracy of what the minutes attributed to the Principal Officer, arguing that the complete Annual Financial Statements are audited by the external auditors, but that the summarised Annual Financial Statements are not audited, but reviewed.

Principal Officer: Confirmed that the statement as recorded in the minutes was indeed a true reflection of what was expressed at the previous AGM, but emphasised that this had to be understood in the context provided by the Chairman earlier.

Ms Petersen-Cook gave input, expressing appreciation of the distinction that Mr Minnie was highlighting. It was technically correct that the complete set of Annual Financial Statements are **audited** by the external auditor, and the summarised Annual Financial Statements are **reviewed** by the external auditors, utilising the complete and audited Annual Financial Statements as a base for the summary. This was accepted.

The minutes were approved to be signed by the Chairman as a true reflection of proceedings, subject to the recording and understanding of the distinction made above with reference to the Annual Financial Statements having been audited, and the summarised Annual Financial Statements having been reviewed by the external auditors.

Proposed by “Member” and seconded by Mr Minnie.

4. GENERAL UPDATE AND MATTERS ARISING FROM THE MINUTES OF THE 104TH AGM HELD ON THURSDAY, 28 JUNE 2018

ACTION

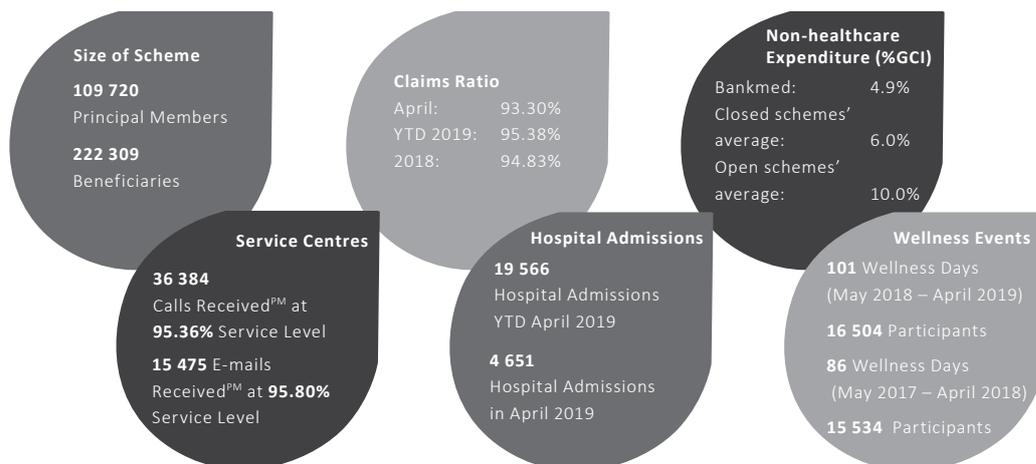
The Chairman called upon the Principal Officer, Mr Mosomothane, to lead a presentation in respect of a general Bankmed update, industry information and matters arising from the prior year’s minutes. The Principal Officer shared the following salient points by way of a presentation:

4.1. Operational/Service Progress and Member Sentiment

Operational/Service Overview

The Principal Officer informed the meeting that Bankmed was the sixth-largest medical scheme (from a combination of both open and closed medical schemes), and the third-largest closed (restricted access) medical scheme in South Africa.

AGM attendees were reminded that the claims ratio is relevant healthcare expenditure as a percentage of net contributions. The Scheme’s claim ratio was regarded as relatively high compared to the industry average of 88.7% (for 2017).

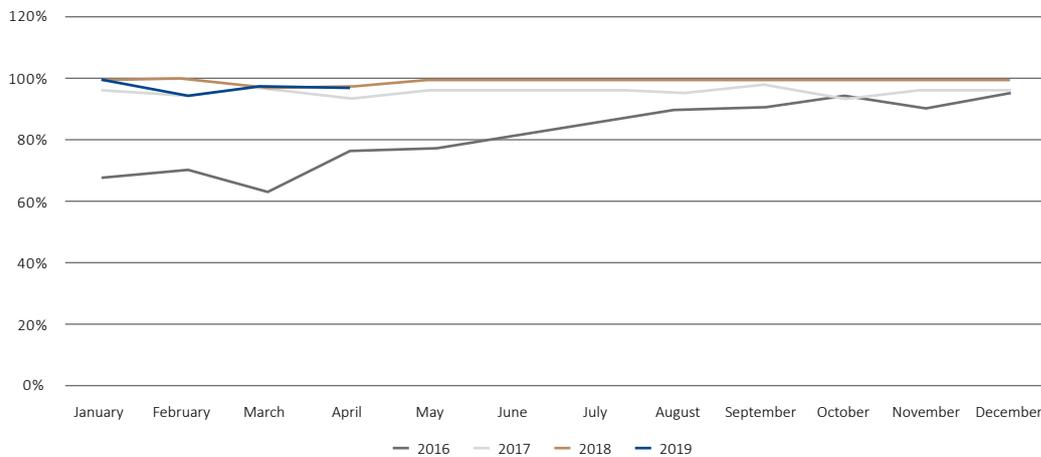


Non-healthcare Expenditure for Bankmed (at 4.9%), expressed as a percentage of Gross Contribution Income, remained below the industry average for both open schemes (10%) and closed schemes (6%).

The number of calls received had reduced and stabilised since 2016 when the administration was transferred to the current administrator.

Overall Performance – SLAs

The Principal Officer confirmed the improvement from 2016 to date, as indicated by the trend line in the graph below. He highlighted that the overall performance from March 2018 to April 2019 demonstrated that operationally, services had remained stable. Further to this, he confirmed that the administrator remained compliant with very stringent service level agreement deliverables.



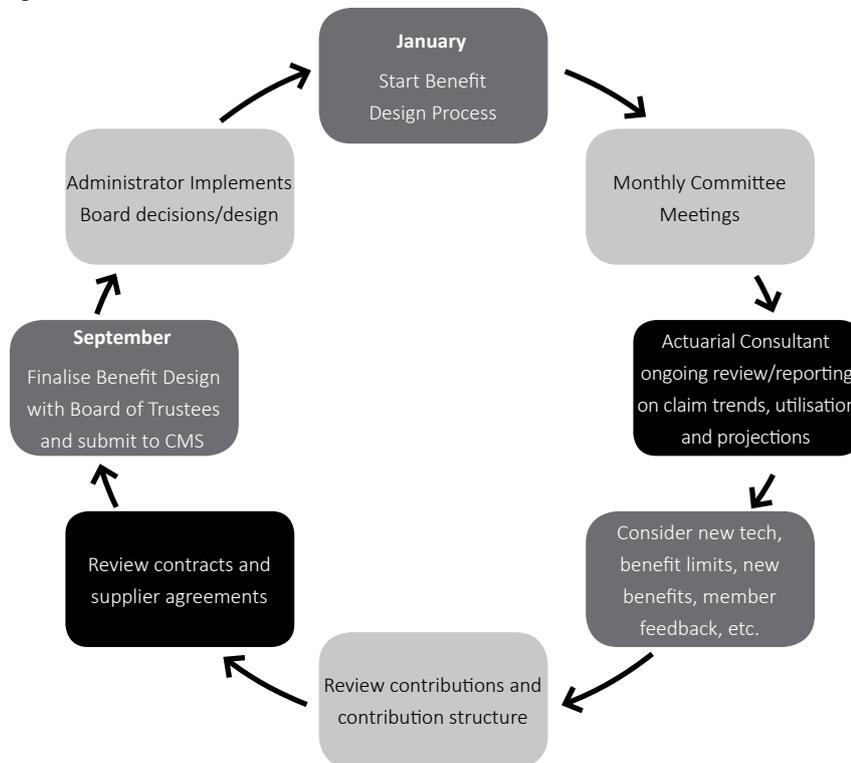
4.2. Benefit Design Process

The Principal Officer noted that many queries and suggested motions had been submitted about benefits. He confirmed that these recommendations and suggestions are included in the benefit design process every year.

He reported that Bankmed strives to find a balance between the adequacy of benefits and affordability considerations. Bankmed, as a medical scheme, was expected to protect the sustainability of the Scheme.

He further highlighted the role of the administrator. All approvals are implemented by the administrator but are designed and approved by the Bankmed Board of Trustees. Furthermore, the administrator cannot be held accountable for all issues related to benefit design, as a result.

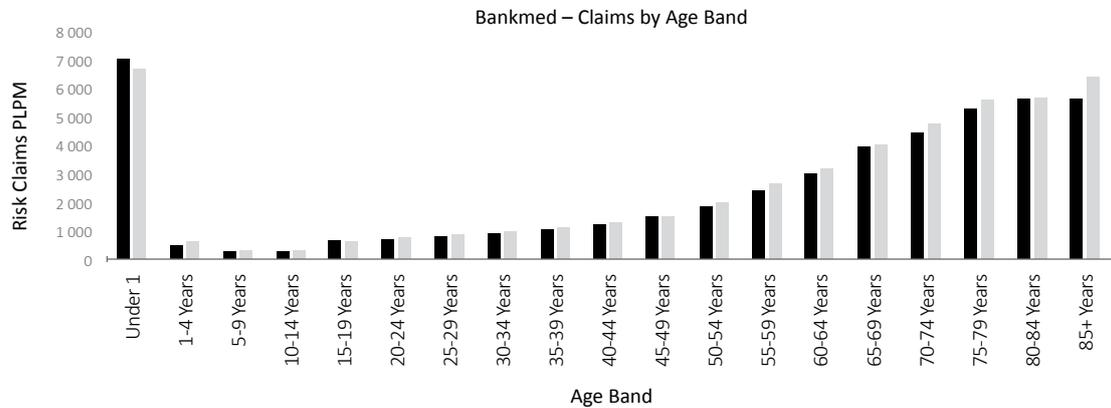
Benefit Design Process Flow



Claims by Age/Life Stage

The Principal Officer reminded the AGM of the request submitted by members, in the previous year, for a benefit option specific to pensioners. He confirmed that the claims by age/life stage, as illustrated in the graph below, demonstrated the increasing healthcare needs and the changing claim patterns as members grow older. Older members' claiming profiles are supported through cross-subsidisation from younger members.

It was reiterated that a separate benefit option for pensioners would be unaffordable if it were priced to match the claims. Bankmed would not be able to give the necessary assurance on the sustainability of such an option.



4.3 National Health Insurance (NHI)

The Principal Officer gave an update on Bankmed's position relating to National Health Insurance (NHI). He stated that the inequalities in access to quality healthcare services is a major concern for all South Africans. The objectives of Universal Health Coverage (UHC) are therefore desirable. The Scheme's stance is strongly informed by the interests of its members specifically, and fellow South Africans in general. Bankmed is fully engaged in industry discussions to influence how the healthcare landscape changes. The Scheme strongly believes in a greater role that medical schemes can continue to play into the future.

4.4 Health Market Inquiry (HMI)

The Principal Officer confirmed that a provisional report was released on 05 July 2018, a week after the 2018 AGM. Bankmed responded to the interim report, and its response was informed by the best interest of Bankmed members, and the desire for as many people as possible to have access to affordable, good quality healthcare. Bankmed is hoping that the outcome of this process will assist in containing the high healthcare costs to which members are currently exposed.

The final report is due at the end of September 2019, and Bankmed will take appropriate action in response to the outcome of the final report.

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

4.5 Recommendation to include the investment performance report in the AGM booklet sent to Members

The Principal Officer confirmed that it had been previously communicated to members that the Annual Financial Statements format is standardised and does not cater for an investment report specifically. The notice of the AGM is specified in the Scheme Rules and does not provide for an investment report. Feedback regarding investments has traditionally been tabled at the AGM by way of a presentation. The Board of Trustees considered this request again and resolved that it was best to have the report presented by way of a presentation at the AGM, as has been done in the past, to avoid confusion.

4.6 Assurances required in response to concerns about investment performance

It was confirmed that this matter would be attended to by way of an Investment presentation.

4.7 Explore using joint auditors in terms of external auditors

It was confirmed that the Audit Committee had explored this request, and investigations showed that using joint auditors was not common practice in the industry. Furthermore, the use of joint auditors would result in unnecessary cost implications. It was confirmed that the context in which this suggestion was made at the time was understood, but after exploring this matter, the Scheme's view was that implementing this suggestion was not necessary.

4.8 Request that employer-appointed trustees be vetted similarly to member-elected trustees, and that the Scheme Rules be amended appropriately in this regard

It was confirmed that this matter had been attended to as requested.

4.9 Consider the format of the tax certificate and the inclusion of many pages of reports

The Principal Officer informed the meeting that requirements and requests from across the entire membership base had to be taken into account; some members wanted both the summary and the detailed reports for the tax certificate. Currently, the tax certificate included both the detailed and the summary reports in a single document sent to the members. In 2020, to accommodate those who are only interested in a summary version of the tax certificate, the two components of the tax certificate would be separated for ease of use.

Principal Officer

5. TO RECEIVE AND ADOPT THE AUDITED FINANCIAL STATEMENTS AND THE ANNUAL REPORT OF THE BOARD OF TRUSTEES FOR THE YEAR ENDED 31 DECEMBER 2018

ACTION

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 had 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 restricted scheme in South Africa that had once again received an AA+ credit rating.

The Chairman, by way of a presentation, gave feedback on investment-related matters. He explained the roles played by the Board of Trustees, the Investment Committee, and the five appointed investment managers. He reported that previously, there were only three investment managers, but given the current state of the market, as well as the request by members to consider appointing additional investment managers, to diversify the management of the assets, Allan Gray and ABAX were subsequently appointed in March 2019. He reported that the investment managers report back monthly and that the Scheme's investment performance is reviewed quarterly by the Investment Committee.

The Chairman confirmed that the independent Investment Advisor is included in all Investment Committee meetings. Furthermore, he noted that the purpose of the Investment Committee is to review the investment manager's investment performance. He referred to the interrogation of the five asset managers' investment choices and the understanding of the impact of the social, political environment in which the Scheme's investments are managed.

The Chairman highlighted the differences in Disclosure in the 2018 Annual Financial Statements due to the adoption of IFRS9. Investments were now reported on at fair value through profit and loss as opposed to available-for-sale. All returns are accounted for as realised through the statement of comprehensive income (SOCE), and there will be no available-for-sale reserve going forward. He further reported that the investment return is subsequently not accurately comparable to the performance reported on previously in the Annual Financial Statements.

He reported on the portfolio limitations as a result of the portfolios being constructed to ensure compliance with Regulation 30 of the Medical Schemes Act. He noted that Offshore Equities were not permitted as a result of this Regulation.

The Chairman gave an update on the allocation of the accumulated Medical Savings Account (MSA) funds and the relevant interest earned. He confirmed that, by law, the MSA funds are recognised as Scheme assets. This means that interest earned on those funds accrues to Bankmed, with no obligation on Bankmed to pay any interest earned on the MSA funds to members. As from 1 January 2018, Bankmed reverted to paying 50% of the interest earned on the MSA funds to members. This was Bankmed's standard practise before the CMS issued a directive which required that all interest earned on MSA funds be paid to members. This directive was overturned by the Constitutional Court ruling, resulting in the Scheme reverting to its previous practice. The overall interest of 4.7% was paid to members with savings in funds in 2018; the-year-on-year CPI rate for December 2018 was 4.5%.

Mr Minnie: Raised a query on the significant decrease in the amount paid on the Medical Savings Accounts to members from 2017 to 2018.

Chairman: Confirmed that this was a result of the reversion to paying 50% of the interest (instead of 100%) earned on the MSA funds to members, as from 1 January 2018.

Before moving to adopt the audited Annual Financial Statements and the Annual Report of the Board of Trustees, the Chairman introduced Mr Dave Flint from Willis Towers Watson. He gave some background on Willis Towers Watson and their relevant experience in providing investment advisory services. The Chairman requested that all questions be directed to Mr Flint at the end of the presentation on investment performance.

The Chairman 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 Flint, by way of a presentation, gave an investment update. He gave an overview of the current market status, Bankmed's performance as well as a comparison of the Scheme's performance to the Schemes benchmark of CPI+3%. He referred to the relevant market returns and noted the weak investment market for 2018 experienced across all industries, particularly over the past five years, which had a significant impact on the Scheme. He further noted the positive view over the longer 10-year period where the Scheme outperforms CPI+3%.

Mr Flint made a note of Bankmed's Net Investment performance as at end December 2018 as 3.1%, below the targeted 7.6%, a direct result of the prevailing market factors. He also reported on an improvement, as at 30 April 2019, in the Scheme's overall performance which had increased to 6%.

Mr Flint concluded by making and/or reiterating the following points:

- The investment markets were poor over the past 5 years;
- Allan Gray and ABAX were the recent additions to the Scheme's investment managers;
- Bankmed was better than a median performer amongst medical scheme investment portfolios, and at lower risk;
- The longer term picture (10 years) still looked positive for Bankmed;
- Bankmed's long term performance was ahead of the CPI +3% target;
- The new target for Bankmed is CPI +3.5% pa.

The Chairman thanked Mr Flint for his presentation on behalf of Bankmed.

He asked whether there were any additional items or issues to be raised before the approval of the audited Annual Financial Statements.

Mr Minnie: Referred to the earlier discussion and sought clarity on the way forward regarding the distinction between the Annual Financial Statements and the summarised (abridged) Annual Financial Statements. He requested that the correct statement is made going forward regarding the abridged Annual Financial Statements not being audited as stated in the previous minutes.

Chairman: Confirmed that Mr Minnie's comments would be recorded in the current minutes accordingly, and be taken into account in how the Annual Financial Statements (and the summarised Annual Financial Statements) are referred to in future.

The Chairman pointed out that the AGM was held in terms of the Rules of the Scheme. Rule 28.2.1 determines that the content of the Notice convening the AGM, and states that the Notice must include the agenda, the abridged 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.

Chairman and
Principal Officer

The Chairman called upon the members to raise any objections for the approval of the complete audited Annual Financial Statements and Annual Report, should they feel it necessary to do so. There were no objections raised for the approval of the complete audited Annual Financial Statements and Annual Report.

Proposed by Mr Minnie and seconded by Mr Nyawo.

The Chairman confirmed that the audited Annual Financial Statements and Annual Report of the Board of Trustees for the year ended 31 December 2018 were adopted as presented.

6. TO NOTE THE BANKMED TRUSTEE FEE POLICY AND APPROVE THE PROPOSED TRUSTEE FEE INCREASE FOR 2019/2020

ACTION

The Chairman declared the current conflict of interest that he faced relating to the discussion on the proposed trustee fee increase for 2019/2020. He requested that the Principal Officer chairs this part of the meeting.

The Principal Officer confirmed that the Trustee Fee Policy was for noting. Trustee remuneration had been disclosed in the summarised Annual Financial Statements presented to members (Note 9 on page 29 and note 13 on page 33 of the summarised Annual Financial Statements).

The Principal Officer, with reference to the apparent significant year-on-year increase in the relevant fee in comparison to 2017, reported that this was due to the increase in the number of meetings held in 2018.

The Principal Officer further reported that the Scheme's 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 6.4% for the ensuing year/period. This increase was considered and revised by the Board of Trustees, and it was proposed that the Trustee remuneration be increased by 6% instead.

Mr Kalicharran: Requested a detailed breakdown of trustee remuneration, and enquired whether travel expenses were paid for over and above the remuneration of a trustee.

Principal Officer: Confirmed that the full detail relating to the split of meeting fees is detailed in the full set of the audited Annual Financial Statements. He confirmed that travel expenses are excluded from the meeting fees paid to trustees and that the detail relating to travel expenses was also available in the audited Annual Financial Statements.

He further reported that there are trustees based outside of Johannesburg and travelling expenses were therefore over and above trustee fees.

He also indicated that the CMS annual report provides a comparison of fees paid to trustees, and highlights the top ten schemes with the highest trustee fees expenditure. Notwithstanding Bankmed being the sixth largest medical scheme, the Scheme was not in the top ten in the latest CMS report.

Mr Kalicharran: Requested that a detailed breakdown of the fees be included in the policy going forward. His view was that members would be able to make an accurate and informed decision for the required approval.

Principal Officer: Confirmed that Mr Kalicharran's comments had been noted and the appropriate action would be taken, post a discussion with the board.

Mr Minnie: Requested that the fees be split in more detail within the Annual Financial Statements for ease of reference when analysing the total amount paid to the trustees.

Principal Officer: Confirmed that the points made by both Mr Kalicharran and Mr Minnie were noted and consideration will be given to future management of this matter.

Chairman: With reference to indicative amounts of what trustees are paid for meeting attendance, the Chairman confirmed that details requested would be included in the AGM booklet sent to the members in future. He further clarified that there is no additional amount paid for travel other than compensation for expenses incurred. There was also no additional amount paid for preparation time.

Mr Viljoen: Requested clarity on the operational aspects of the trust, based on the Medical Schemes Act. He queried whether a specific Trusts Act governs it and if so, whether the relevant Act stipulates the number of trustees required to manage the trust. He also asked whether the number of trustees increases according to the number of members within the Scheme.

Chairman: Confirmed that a Medical Scheme is established in terms of the Medical Schemes Act and is not a Trust. It is very similar to an ordinary trust and is established for a specific purpose. The Medical Schemes Act allows for rules to be drafted, and the number of trustees is governed and specified by the Rules established and approved for the Scheme. The act does require that the Scheme have a Board of Trustees to manage its affairs, whose daily affairs are delegated to management by the Principal Officer. A trustee by law has the same duties and responsibilities as those of a non-executive director. He confirmed that the number of trustees does not increase based on the Scheme's membership base.

Chairman and
Principal Officer

The Chairman called upon the members to raise any objections for the approval of the proposed trustee fee increase of 6% for 2019/2020. There were no objections raised for the approval of the trustee fee increase of 6% for 2019/2020.

The 6% trustee fee increase was therefore approved.

The Chairman requested that PwC recuse themselves at this point and indicated that an explanation would be given as to why this was necessary.

He reminded the members of the decision of the re-appointment of KPMG in the previous year, which was a contentious issue. He noted that KPMG was subsequently reappointed as the auditors of the Scheme at the 2018 AGM, with the provision that if the trustees believed that any finding of IRBA or SAICA was sufficiently condemning, the Board of Trustees could terminate the appointment of the external auditors during the year. Fortunately, this did not become necessary. He noted that nothing further came forth, but additional information was brought to the attention of the Audit Committee, which made the Committee uncomfortable to just continue with KPMG as the Scheme's auditors beyond 2018 (without considering other options). What became necessary, therefore, to create options for the Scheme, was to initiate a tender process the outcome of which would then be the basis of the recommendation on the appointment of the external auditors.

The Chairman confirmed that Ms Petersen-Cook, the Independent Chairperson of the Bankmed Audit Committee, would give a further update to this matter and would present the recommendation made to the Board of Trustees in terms of the appointment of the external auditor. He confirmed that the Board of Trustees fully supports the proposal made by the Audit Committee.

Ms Petersen-Cook comprehensively added to the background that the Chairman had touched on, and elaborated on the deliberations by the Audit Committee in this regard.

Although KPMG had sought to give assurance to the Scheme, about the progress that had been made in addressing reputational issues that had plagued KPMG, the Scheme could not secure adequate independent assurance (directly or indirectly) from the Independent Regulatory Board for Auditors (IRBA) in this regard.

The South African Institute of Chartered Accountants (SAICA) had taken a stance that it does not regulate auditing firms, and it could therefore not provide assurance about KPMG. SAICA argued that their members are individual auditors, not their employers, resulting in them not being able to give any assurance in the matter relating to KPMG as a firm with regards to professionalism, their quality of audit, and other aspects that had tainted KPMG's reputation.

Against the background above, the Audit Committee successfully recommended to the Board that a tender process was necessary to create options for the Scheme, and the outcome of such a tender process would provide a solid basis on which to make a recommendation on the appointment of the external auditors. The audit firms invited to participate in the tender process were PwC, KPMG, Deloitte, SNG/Grant Thornton and BDO.

At the conclusion of a thorough tender process, the Audit Committee recommended to the Board of Trustees that PwC be appointed as the external auditors of the Scheme from 2019, on a three-year basis, subject to annual re-appointment at the AGM. It was confirmed that the Board supports this recommendation.

Ms Petersen-Cook further gave assurance that all potential conflicts were considered and interrogated as part of the tender process. Regarding the fact that PwC was the current internal auditors of the Scheme office, this conflict would be easily addressed, if PwC was successfully appointed as the external auditors at the AGM. This would be done by initiating another procurement process (which would exclude PwC) towards the appointment of a different firm as the Scheme's internal auditors.

Mr Kalicharran: Noted the issue relating to the 2019 trustee election, managed by PwC and questioned why this was not noted in Ms Petersen-Cook's recommendation to appoint PwC as the external auditors.

Chairman: Confirmed that the matter relating to the error in the trustee election process, managed by PwC, was discussed in detail at the Trustees Board Meeting held on 26 June 2019. He reported that the team that ran the voting process was a separate business unit to the team that would conduct the external audit, and that further detail relating to the issue with the trustee election process would be addressed under agenda item 9.

The Chairman thanked Ms Petersen-Cook for her comprehensive feedback. He confirmed that the Board was unanimous in their decision to recommend PwC as the external auditor, and recommended that PwC be approved as the external auditors for Bankmed for 2019.

The Chairman called upon the members to raise any objections for the approval of the appointment of PwC as the external auditors. There were no objections raised against the approval of the appointment of PwC as the external auditors.

The Chairman confirmed that the AGM approved PwC as the Bankmed's auditor for the 2019 financial year.

PwC (in the capacity of the Independent Electoral Body) was welcomed back to the meeting.

8. TO TRANSACT ANY OTHER BUSINESS OF WHICH NOTICE WAS GIVEN BY 30 APRIL 2019

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.

The Principal Officer reminded the AGM of what constitutes a Motion as explicitly addressed in the Rules. These Rules were circulated to members before the AGM and again revised at the AGM.

In total, 84 members responded with questions, queries and requests. These 84 members submitted 110 questions, questions and requests, with most of the queries about personal claim and benefit issues. All members were contacted personally to resolve claim and benefit queries. In addition to having had a large number of questions being addressed 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 was one motion in total, which the Principal Officer attended to at the meeting:

8.1. Motion 1: Request that Bankmed assist in implementing standard tariffs across all disciplines to standardise provider fees

The Principal Officer confirmed that this request was not solely in Bankmed's control. Bankmed is not able to regulate and impose standard tariffs across all disciplines to standardise provider fees. He confirmed that this was a measure that could aid in containing the high costs in the medical scheme industry and that Bankmed is supportive of the intention behind the motion raised.

He also indicated that it was the Scheme's intention to continue participating in the relevant industry forums to relay such messages. He reported that the Health Market Enquiry currently has this matter as a key issue of the inquiry. He also noted that to the extent that Bankmed becomes aware of any possible unintended consequences in the pursuit of this matter, these would inform how the Scheme engages other stakeholders in the industry in this regard.

He indicated that this was not a motion that can be voted on at a Bankmed AGM, but gave assurance that this is something that would be pursued in industry conversations.

There were no further questions in this regard, and the Chairman confirmed that no vote could take place on this specific matter.

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

ACTION

The Chairman indicated that before the outcome of the Trustee voting process could be announced, an explanation was required to be given relating to the issue encountered with the election process.

He confirmed that all members would have received the relevant e-mail and SMS about the election process from PwC. Members could vote online or through e-mail, fax, letter or by depositing a physical voting form at the offices of PwC. It was confirmed that the majority of the members who voted did so electronically. When the vote closed, PwC noted a discrepancy in that there were 14 candidates and of the 14 candidates, there were only votes submitted for 10.

PwC identified an issue relating to the programming and immediately notified the Scheme of this error and were pro-active in rectifying the problem as quickly as possible. A meeting was held with two members of the Nominations Committee where it was agreed that the members whose votes were affected were to be notified immediately. It was further decided that the Board of Trustees were to be notified, legal advice, as well as a discussion with the Council for Medical Schemes, was also required. The process undertaken was for PwC to contact all members who were affected by the issue. Over 1,000 members were contacted by e-mail, SMS and there was an attempt to contact each of those members telephonically, asking the affected members to recast their votes, of which majority of those members did.

The Nominations Committee confirmed that the results of the votes were seen post the original voting request and then post the re-vote of the members affected by the programming issue. It is guaranteed that the actual change was negligible and that the top five trustee candidates were in the same ranking as before the programming issue identified.

It was agreed that if the members who did not respond to the relevant communication to recast their votes had voted, it would not have affected the outcome of the election. The Nominations Committee, the Board of Trustees and the CMS all had comfort in this process and the relevant result. To make sure of the outcome, BDO (a different and independent audit firm) was requested to review PwC's work, which they subsequently approved. The Chairman asked any technical questions or information required by a member relating to this matter be directed to PwC or himself post the meeting.

The Chairman apologised that this had occurred, and indicated that it was outside of Bankmed's control.

He further asked whether members present were comfortable with the explanation and assurances given.

Mr Kalicharran: Requested that more detail on the actual numbers of the votes be given as he was not comfortable or completely clear about how votes were affected.

The Chairman handed the meeting over to Ms Lekoko of PwC to confirm these numbers and to proceed with her presentation.

Ms Lekoko: Introduced herself and apologised on behalf of PwC for the technical error that had occurred. She further confirmed that this error was identified at the time of exporting of the votes. It was confirmed that votes were received from a total of 2,585 members out of the 2,767 that initially voted online. There were a total of 29 manual ballots tallied resulting in a total of 2,614 member's votes received.

The voting process was then extended for the period of 12 June to 20 June 2019. The CMS had requested for regular feedback from PwC in this process.

A total of 2,585 members were confirmed as voted post the attempt in receiving all votes. This results in a total of 182 members with no votes accounted for. Several scenarios were considered whereby the 182 votes were added to each of the nominated trustee's votes, which did not change the outcome of the election.

Mr Kalicharran: Thanked Ms Lekoko for her information and further indicated that the Nominations Committee had not given the members the information as to how the 182 votes would have made a difference to each nominated trustee. He does not have the assurance that the 182 votes would not have made a difference.

Ms Lekoko: Reminded Mr Kalicharran that these numbers had been interrogated by an independent auditor to give assurance that these numbers are accurate. In addition to this, PwC submitted a report to the CMS with these findings. She further noted that all candidates and members had been made aware that should they require any detailed information of the outcome of individual votes, they can request that information from PwC. It was confirmed that PwC refrained from publishing the precise vote count per candidate to avoid any sensitivities around this matter, but that this information is available on request.

Mr Kalicharran: Thanked Ms Lekoko for the information and confirmed that Ms Lekoko had resolved his query.

Ms Lekoko, representing PwC, in their capacity as the Independent Electoral Body, facilitated the presentation in respect of the outcomes of the Trustee voting process. She concluded her presentation by reporting on the following outcome:

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

- Mr Jan Abraham Henning
- Mr Jeffrey Martin Cresswell

PwC concluded that the election of Bankmed Trustees was carried out per the Scheme Rules and allowed all members to participate.

The Chairman extended congratulations to both Trustees. He noted the outgoing trustees and further confirmed that Mr Doug Bolt would remain as an employer-appointed trustee. He extended heartfelt thanks to the Vice Chairman, Mr Noah Naidoo as an outgoing trustee, who had not been successful in the re-election process. He thanked Mr Naidoo for his contribution.

10. GENERAL

ACTION

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

10.1. Notification to members for changes to Scheme Rules

Mr Minnie: Noted that post the 2018 AGM there had been an amendment to the Scheme Rules in respect of the waiting period applied to pregnancy. He confirmed that as per the Scheme Rules, it was a requirement that members be notified of any changes to the Rules. He further noted that in addition to the rule amendment to the pregnancy waiting period, that rules had been amended in October 2018. He claimed that the Scheme had not notified members of these changes.

Principal Officer: Confirmed that the October 2018 rule changes were annual changes which included benefit changes that would then be applicable in the new year. Such changes are submitted to the CMS for approval by September of that year. The CMS must then approve those rules, once finalised they are signed and stamped by the CMS and are available to members, accessible on the Scheme's website.

Mr Minnie: Made reference to Section 34.4 of the Bankmed Scheme Rules that states that members must be notified of any changes to the Scheme rules as soon as possible, which was not adhered to by the Scheme.

Chairman: Confirmed that the Rules are a public document and that any changes to the benefits required approval from the CMS before being made public. Members were indeed informed about benefit and contribution amendments within the required 30-day period.

Mr Minnie: Reiterated the point that members must be notified of any Rule change. He further noted that it would be impossible for any member to compare and identify the rule changes made available on the website. He also proposed that the Rule then be amended, if the Scheme was unable to abide by it.

Chairman: Informed members that there are minor changes made to the Rules on an annual basis. Circulation of all minor Rule changes to members would result in an unnecessary cost, which would be required to be carried by the Scheme. He further confirmed that this item would be taken into consideration and investigated further. Principal Officer

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 19:25.

Signed as a true record of proceedings.

Chairman Signature

Date





Bankmed Summarised Financial Statements

for the year ended 31 December 2019

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



SUMMARISED FINANCIAL STATEMENTS

for the year ended 31 December 2019

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

The Board of Trustees hereby presents its annual report for the year ended 31 December 2019.

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 2019:

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 Plan, Bankmed Comprehensive Plan and Bankmed Plus Plan.

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 annual 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 Plan and Bankmed Essential Plan as well as emergency evacuation for members on all benefit options; and
- Centre for Diabetes and Endocrinology (Pty) Ltd - To cover diabetes claims for members on the Bankmed Comprehensive Plan, Bankmed Plus Plan, Bankmed Core Saver Plan and Bankmed Traditional Plan.



REPORT OF THE BOARD OF TRUSTEES (continued)

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 (Resigned 25 June 2019)	Absa Bank Limited
Mr D Mkhonza	Absa Bank Limited
Mr N Naidoo (Nevan)(Appointed 1 April 2019)	The Standard Bank of South Africa Limited
Ms G Noemdoe	The Standard Bank of South Africa Limited
Dr L Rametsi (Appointed 25 June 2019)	Absa Bank Limited

Elected by members

Mr EA Schaffrath (Chairman)
Mr J Creswell (Elected 27 June 2019)
Mr G de Lange
Mr R Gush
Mr J Henning (Re-elected 27 June 2019)
Ms D Mantle
Mr N Naidoo (Noah)(Resigned 27 June 2019)

The Board of Trustees met six times during 2019 on the following dates:

27 February 2019 – 1 March 2019 (Annual Strategic Planning Session)
25 April 2019
26 June 2019
18 July 2019
26 September 2019
21 November 2019

2.2 Principal Officer

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



REPORT OF THE BOARD OF TRUSTEES (continued)

2 MANAGEMENT (continued)

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

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



REPORT OF THE BOARD OF TRUSTEES (continued)

2 MANAGEMENT (continued)

2.7 Investment managers

Investec Asset Management (Pty) Ltd	
Investec Building	P.O. Box 1655
Cnr Bree and Hans Strijdom Avenue	Cape Town
Foreshore	8000
8001	
Taquanta Asset Managers (Pty) Ltd	
7th Floor	P.O. Box 23540
Newlands Terraces	Claremont
8 Boundary Road	Cape Town
Newlands	7735
7700	
Prudential Investment Managers (Pty) Ltd	
7th Floor	P.O. Box 44813
Protea Place	Claremont
40 Dreyer Street	Cape Town
Claremont	7735
7735	
Allan Gray South Africa (Pty) Ltd	
1 Silo Square	P.O. Box 51318
V&A Waterfront	V&A Waterfront
Cape Town	Cape Town
8001	8002
Abax Investments (Pty) Ltd	
The Oval	P.O. Box 23851
1 Oakdale Road	Claremont
Newlands	Cape Town
7700	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	



REPORT OF THE BOARD OF TRUSTEES (continued)

2 MANAGEMENT (continued)

2.9 Actuaries

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

2.10 External auditor

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

2.11 Internal auditor

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

PricewaterhouseCoopers Inc was awarded the external audit contract on 27 June 2019 and the internal audit services contract was cancelled by mutual agreement.

BDO South Africa	
Wanderers Office Park	Private Bag X60500
52 Corlett Drive	Houghton
Illovo	2041
2196	

BDO South Africa was awarded the contract to provide internal audit services on 17 September 2019.

2.12 Attorneys

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



REPORT OF THE BOARD OF TRUSTEES (continued)

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 or 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.

REPORT OF THE BOARD OF TRUSTEES (continued)

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	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Number of members at year end	3 658	3 063	22 939	22 257	28 507	26 628	12 574	13 289	37 727	40 206	3 365	3 590	108 770	109 033
Number of beneficiaries at year end	4 924	4 081	41 982	40 316	56 738	51 742	27 770	29 371	82 972	88 667	6 360	6 934	220 746	221 111
Average number of members for the year	3 342	2 756	22 635	21 915	28 410	26 116	12 893	13 483	38 680	40 758	3 431	3 641	109 391	108 669
Average number of beneficiaries for the year	4 518	3 652	41 328	39 457	56 019	50 279	28 454	29 772	85 001	89 720	6 524	7 068	221 844	219 948
Dependant ratio to members at year end	0.35	0.33	0.83	0.81	0.99	0.94	1.21	1.21	1.20	1.21	0.89	0.93	1.03	1.03
Pensioner ratio (65 Years +)	0.79%	0.81%	1.77%	1.63%	2.80%	2.61%	9.63%	8.90%	13.68%	12.68%	38.38%	36.23%	8.53%	8.33%
Average age of beneficiaries	27.82	27.61	25.21	24.93	26.10	25.98	34.01	33.36	36.85	35.98	54.17	52.73	31.81	31.65
Average net contributions per member per month (R)	1 451	1 322	2 418	2 205	2 658	2 429	4 246	4 355	4 484	4 135	6 903	6 395	3 589	3 367
Average net contributions per beneficiary per month (R)	1 073	997	1 325	1 225	1 348	1 262	1 924	1 972	2 040	1 878	3 630	3 294	1 769	1 664
Relevant healthcare expenditure as a percentage of net contributions	41.52%	38.03%	74.11%	76.54%	77.94%	73.94%	74.11%	96.27%	107.59%	105.56%	116.18%	117.36%	95.53%	94.83%
Average administration costs per member per month (R)	205	195	205	195	193	183	193	183	193	183	193	183	196	185
Average administration costs per beneficiary per month (R)	152	147	112	108	98	95	88	83	88	83	102	94	97	92
Amounts paid to administrator (R'000)	6 573	5 120	44 542	40 696	51 729	44 812	23 475	23 132	70 392	69 931	6 248	6 247	202 959	189 938
Non-health expenses as a percentage of gross contributions	13.32%	14.05%	8.21%	8.67%	6.24%	6.60%	22.99%	4.35%	3.65%	3.77%	2.17%	2.27%	4.80%	4.90%
Average accumulated funds per member at 31 December (R)													20 584	19 290
Average healthcare management expense per member per month (R)	97	92	97	92	92	92	99	93	98	93	99	93	98	92
Average healthcare management expense per beneficiary per month (R)	72	69	53	51	49	48	45	42	45	42	52	48	48	46
Return on investments as per an independent review by the Scheme's investment consultants.													7.80%	3.50%

REPORT OF THE BOARD OF TRUSTEES (continued)

4 REVIEW OF THE ACCOUNTING PERIOD'S ACTIVITIES (continued)

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

	2019	2018
	R	R
Total members' funds per the statement of financial position	2 238 964 213	2 103 275 916
Less: Cumulative unrealised net gain on remeasurement of investments to fair value	(54 966 652)	(153 161 358)
Accumulated funds per Regulation 29	<u>2 183 997 561</u>	<u>1 950 114 558</u>
Gross contribution income	5 398 528 919	5 039 938 733
Accumulated funds ratio	40,46%	38,69%

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.

4.4 Reserve account

Movement in the reserve is set out in the statement of changes in funds and reserve.

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.



REPORT OF THE BOARD OF TRUSTEES (continued)

6 INVESTMENTS IN PARTICIPATING EMPLOYERS OF MEMBERS OF THE SCHEME

The Scheme holds the following investments in employer groups:

	2019	2018
	R	R
Investments at fair value through profit or loss	861 942 022	876 474 693
Cash and cash equivalents	77 407 842	88 944 386
Total	939 349 864	965 419 079

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 (Chairperson; Independent)
Ms R Gani (Independent)(Appointed 27 February 2019)
Ms B Hlongwane (Independent; Resigned 10 April 2019)
Ms F Levy-Hassen (Independent; Appointed 27 February 2019)
Mr B Phillips (Independent; Re-appointed 10 April 2019)
Mr J Henning (Trustee; Re-appointed 18 July 2019)
Mr D Mkhonza (Trustee; Re-appointed 18 July 2019)

The Committee met five times during 2019 on the following dates:

22 February 2019
10 April 2019
6 May 2019
25 August 2019
24 October 2019



REPORT OF THE BOARD OF TRUSTEES (continued)

7 AUDIT COMMITTEE (continued)

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 four Trustees. The Remuneration Committee meetings are attended by an independent advisor to provide expert advice and guidance to the Committee.

The Committee comprised of:

Mr DW Bolt (Chairman)

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)(Re-appointed 18 July 2019)

The Committee met three times during 2019 on the following dates:

7 February 2019

19 September 2019

5 November 2019

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)(Re-appointed 27 June 2019)

Mr N Naidoo (Noah)(Chairman)(Trustee)(Resigned 27 June 2019)

Mr N Coghlan (Executive: Finance and Risk)

Ms D Mantle (Trustee)

Mr T Mosomothane (Principal Officer)

Dr N Naidoo (Executive: Clinical and Operations)

Mr N Naidoo (Nevan)(Trustee)(Appointed 18 July 2019)

Ms G Noemdoe (Trustee)

Ms F Petersen-Cook (Independent Audit Committee Chairman)

The Committee met four times during 2019 on the following dates:

6 March 2019

21 May 2019

15 August 2019

15 October 2019



REPORT OF THE BOARD OF TRUSTEES (continued)

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)

Mr J Henning (Trustee)(Re-appointed 18 July 2019)

Mr EA Schaffrath (Trustee)

The Committee met four times during 2019 on the following dates:

26 March 2019

31 May 2019

21 August 2019

5 November 2019

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 EA Schaffrath (Chairman)

Mr D Armstrong (Trustee)

Mr D Mkhonza (Trustee)(Re-appointed 18 July 2019)

The Committee met once during 2019 on the following date:

11 April 2019

12 EXTERNAL AUDIT TENDER COMMITTEE

An External Audit Tender Committee was established during 2019 to oversee the tender process for the possible change in external auditors. 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:

Ms F Petersen-Cook (Chairman)(Independent)

Ms R Gani (Independent)

Ms F Levy-Hassen (Independent)

Mr B Phillips (Independent)

Mr J Henning (Trustee)

Mr D Mkhonza (Trustee)

The Committee met twice during 2019 on the following dates:

11 June 2019

19 June 2019



REPORT OF THE BOARD OF TRUSTEES (continued)

13 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		External Audit Tender Committee meetings	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B
Mr D Armstrong	6	6	3	3					1	1	4	4		
Mr DW Bolt	6	6	3	3										
Mr J Cresswell	4	4	3	3			3	3						
Mr G de Lange	6	6									4	4		
Mr R Gush	6	6									4	4		
Mr J Henning	6	5			5	5					4	4	2	2
Mr T Legoete	2	0												
Mrs D Mantle	6	6					4	3						
Mr D Mkhonza	6	6			5	5			1	1			2	2
Mr N Naidoo (Noah)	3	3					2	2						
Mr N Naidoo (Nevan)	5	3					1	1						
Ms G Noemdoe	6	4					4	4						
Dr L Rametsi	4	4												
Mr EA Schaffrath	6	6	3	3					1	1	4	4		



REPORT OF THE BOARD OF TRUSTEES (continued)

14 NON-COMPLIANCE MATTERS

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 Plan, Bankmed Plus Plan and Bankmed Traditional Plan incurred net healthcare deficits for the year ended 31 December 2019, 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 were approved by the Council for Medical Schemes (CMS).

Corrective action

The benefits and contributions proposal approved by the CMS for 2020 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 participating employers were received more than three days after becoming due in certain months during 2019, which is in contravention of Section 26(7) of the Act.

Causes for the failure

Due to internal process delays in some participating employers, the contributions paid on behalf of members were not paid 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.



REPORT OF THE BOARD OF TRUSTEES (continued)

14 NON-COMPLIANCE MATTERS (continued)

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

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's exemption from Section 35(8)(a) expired in November 2018. An application for renewal was submitted to the CMS. Due to new internal processes at the CMS, however, exemption was only granted after a prolonged process. The exemption granted is effective 1 December 2019 to 30 November 2021.

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's exemption from Section 35(8)(c) expired in November 2018. An application for renewal was submitted to the CMS. Due to new internal processes at the CMS, however, exemption was only granted after a prolonged process. The exemption granted is effective 1 December 2019 to 30 November 2021.

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

Nature and impact

A medical scheme shall, in the case where an account has been rendered, subject to the provisions of this Act and the rules of the medical scheme concerned, pay to a member or a supplier of service, any benefit owing to that member or supplier of service within 30 days after the day on which the claim in respect of such benefit was received by the medical scheme

Causes for the failure

Total claims to the value of R9.3 million were paid later than 30 days of receipt. Delays occur when accounts are referred for clinical audit or other investigations. These are however exceptions and claims are generally paid within the prescribed time.

Corrective action

The Scheme is aware of the requirements and complies as far as possible. It is however an inherent part of the industry that a limited number of problematic claims may exceed the payment requirement of 30 days.



REPORT OF THE BOARD OF TRUSTEES (continued)

14 NON-COMPLIANCE MATTERS (continued)

14.6 Prescribed minimum benefits

Nature and impact

Section 29(1)(o) and Regulation 8 provide the scope and level of minimum benefits that the Scheme must provide to members and dependants.

Causes for the failure

During the year under review there were isolated instances where the Scheme did not pay claims in accordance with the scope and level of minimum benefits.

Corrective action

The Scheme is aligning its interpretation of prescribed minimum benefits with CMS's interpretation, and affected claims are being reprocessed to ensure correct payment.

15 MEMBERSHIP

The membership of the Scheme decreased by 0.24% to 108 770 at the end of 2019 when compared to the total membership at the end of 2018 of 109 033. At the end of 2019, the Scheme's average beneficiary age was 31.81 years (2018: 31.65 years). The pensioner ratio increased from 8.33% at the end of 2018 to 8.53% at the end of 2019.

16 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.



REPORT OF THE BOARD OF TRUSTEES (continued)

17 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.

17.1 Review of underwriting results

The overall claims experience for 2019 was 8.06% higher than that budgeted for the year. With this the Scheme achieved a gross healthcare surplus of R210.6 million.

Relevant healthcare expenditure, expressed as a percentage of risk contribution income, was 95.53% for 2019 (2018: 94.83%). The gross healthcare (underwriting) result for 2019, amounted to 3.90% of gross contributions. (2018: 4.50%).

The net healthcare deficit, after deducting non-healthcare expenditure, amounted to R48.5 million (before investment and other income) in 2019, compared to a deficit of R19.9 million in the previous year. In the budget it was anticipated that a net healthcare deficit of R34.7 million would be incurred, compared to a budgeted net healthcare surplus of R14.7 million in 2018.

The Scheme generated a net surplus for the year under review of R135.1 million (2018: R34.7 million).

17.2 Administration

Administration expenditure remained stable at 4.80% of gross contribution income in 2019 (2018: 4.90%). The overall administration expenditure figure compares favourably with the average administration expenditure of medical schemes in the healthcare industry.

17.3 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 2019 amounted to R183.6 million, which is 236.42% more than the R54.6 million generated in 2018. 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, 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.



REPORT OF THE BOARD OF TRUSTEES (continued)

18 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.

19 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.

20 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.

21 EVENTS AFTER THE REPORTING DATE

At the reporting date, there were no cases of COVID-19 identified in South Africa, and the decline in the fair value of investments occurred after the reporting date. These events are non-adjusting events after the reporting date and no adjustments were made to the amounts recognised in the summarised financial statements as at 31 December 2019.

Subsequent to the reporting date and prior to the date the summarised financial statements were authorised for signature, the President of South Africa declared a national state of disaster as a result of the global COVID-19 pandemic on 15 March 2020. Even though South Africa is in the early stage of the outbreak, and there exist uncertainties about the potential impact of COVID-19 on the Scheme and its members, the Scheme has considered various possible scenarios, including stress test scenarios, to assess the potential impact of COVID-19. The results of the scenarios indicate that the Scheme's claims for 2020 could increase by between approximately 0.6% to 1.9%.

The Board of Trustees are of the view that the Scheme's strong financial position and reserve levels will allow the Scheme to absorb the potential direct and indirect negative impact of COVID-19 with a reduction of less than 5% in the 2020 solvency level, based on the most likely scenario and it is not envisaged that it will have an impact on the Scheme's ability to pay claims as they arise.

COVID-19 has also had a dramatic impact on the South African and global investment markets resulting in a decline in the fair value of investments between the reporting date and the date when the summarised financial statements were authorised for signature. The Scheme experienced a negative net investment return of 5.9% during the first quarter of 2020.

REPORT OF THE BOARD OF TRUSTEES (continued)

22 GOING CONCERN

The Trustees have reviewed the Scheme's budget for the year ending 31 December 2020. Subsequent to the reporting date and prior to the date the summarised financial statements were authorised for approval, the President of South Africa declared a national state of disaster as a result of the global COVID-19 pandemic on 15 March 2020. Even though South Africa is in the early stage of the outbreak, and there exist uncertainties about the potential impact of COVID-19 on the Scheme and its members, various possible scenarios, including stress test scenarios, have been considered to assess the potential impact of COVID-19 on the Scheme.

The Scheme's strong financial position and reserve levels allows the Scheme to absorb the potential negative impact of COVID-19, with a potential negligible impact on the Scheme's 2020 solvency level, based on the most likely scenario, and it is not envisaged that it will have an impact on the Scheme's ability to pay claims as they arise. The Trustees also concluded that there was no need to adjust the 2019 summarised financial statements.

23 BOARD OF TRUSTEES

Mr J Cresswell was elected as a trustee at the Annual General Meeting held on 27 June 2019, replacing Mr Noah Naidoo who resigned on this date. Mr J Henning was re-elected at the Annual General Meeting held on 27 June 2019.

24 VOTE OF APPRECIATION

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

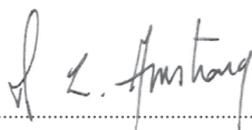
- All members of Bankmed and their employers.
- Independent members of the Board committees for their support.
- The Executive team and staff for the diligent manner in which they have managed the affairs of the Scheme.
- The Registrar of Medical Schemes and his staff for their co-operation and assistance.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

25 CONCLUSION

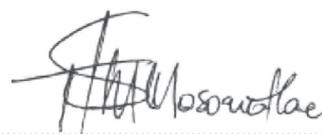
The Scheme is well positioned to meet the current industry challenges, as well as future changes in the legislative framework. The Scheme continues to be financially strong and its products are competitive in terms of pricing, benefits and service levels.



EA SCHAFFRATH
CHAIRMAN



D ARMSTRONG
VICE CHAIRMAN



T MOSOTHANE
PRINCIPAL OFFICER

8 May 2020

DATE

SUMMARISED FINANCIAL STATEMENTS

for the year ended 31 December 2019

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 statement of financial position at 31 December 2019, and the statements of comprehensive income, changes in funds and reserve and 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 summarised 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 reviewed the Scheme's budget for the year ending 31 December 2020. Subsequent to the reporting date and prior to the date the financial statements were authorised for approval, the President of South Africa declared a national state of disaster as a result of the global COVID-19 pandemic on 15 March 2020. Even though South Africa is in the early stage of the outbreak, and there exist uncertainties about the potential impact of COVID-19 on the Scheme and its members, various possible scenarios, including stress test scenarios, have been considered to assess the potential impact of COVID-19 on the Scheme.

The Scheme's strong financial position and reserve levels allows the Scheme to absorb the potential negative impact of COVID-19, with a potential negligible impact on the Scheme's 2020 solvency level, based on the most likely scenario, and it is not envisaged that it will have an impact on the Scheme's ability to pay claims as they arise. The Trustees also concluded that there was no need to adjust the 2019 summarised financial statements.

On the basis of this review and in light of the current financial position and available resources, the Trustees have no reason to believe that the Scheme will not be a going concern for the foreseeable future.

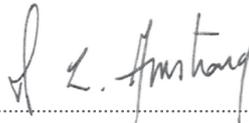
The external auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of the summarised financial statements

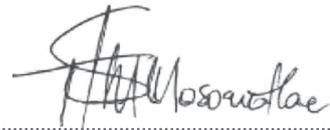
The summarised financial statements, as identified in the first paragraph, were approved by the Board of Trustees on 23 April 2020 and are signed on its behalf by:



EA SCHAFFRATH
CHAIRMAN



D ARMSTRONG
VICE CHAIRMAN



T MOSOTHANE
PRINCIPAL OFFICER

8 May 2020

DATE

SUMMARISED FINANCIAL STATEMENTS

for the year ended 31 December 2019

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.

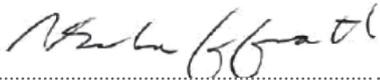
All trustees have access to the advice and services of the Principal Officer and, where appropriate, may seek independent professional advice at the expense of the Scheme.

The Board of Trustees have appointed an Audit Committee, a Remuneration Committee, a Risk Management Committee, an Investment Committee, a Nominations Committee and an External Audit 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

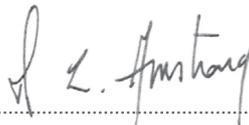
INTERNAL CONTROL

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.

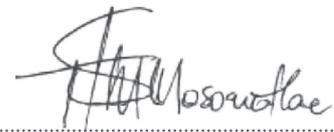
No event or item has come to the attention of the Board of Trustees that indicates any material breakdown in the functioning of the key internal controls and systems during the year under review.



EA SCHAFFRATH
CHAIRMAN



D ARMSTRONG
VICE CHAIRMAN



T MOSOTHANE
PRINCIPAL OFFICER

8 May 2020

DATE



Independent Auditor's Report on Summary Financial Statements

To the Members of Bankmed

Opinion

The summary financial statements, as set out on pages 25 to 43, which comprise the summary statement of financial position as at 31 December 2019, the summary statement of comprehensive income, the summary statement of changes in funds and reserves, the summary statement of cash flows 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 2019.

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 8 May 2020. 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' Circular 38 of 2018, *Audit Tenure*, we report that PricewaterhouseCoopers Inc. has been the auditor of Bankmed for 1 year.

The engagement partner, Linda Pieterse, has been responsible for Bankmed's audit for 1 year.

Price water, Louse Coopers Inc.

PricewaterhouseCoopers Inc.

Director: Linda Pieterse

Registered Auditor

Johannesburg

8 May 2020



SUMMARISED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

		2019	2018
ASSETS	Notes	R	R
Non-current assets		2 549 968 769	2 358 952 617
Equipment		950 302	1 017 880
Investments at fair value through profit or loss	2	2 549 018 467	2 357 934 737
Current assets		703 044 347	680 568 229
Investments at fair value through profit or loss	2	65 100 152	48 535 193
Insurance and other receivables		83 561 818	69 614 791
Cash and cash equivalents		554 382 377	562 418 245
Total assets		3 253 013 116	3 039 520 846
FUNDS AND LIABILITIES			
Members' funds		2 238 964 213	2 103 275 916
Accumulated funds		2 238 964 213	2 103 275 916
Non-current liability		6 214 000	6 877 000
Post-retirement medical aid benefit liability		6 214 000	6 877 000
Current liabilities		1 007 834 903	929 367 930
Post-retirement medical aid benefit liability		961 000	973 000
Personal Medical Savings Account monies	3	784 411 175	715 516 783
Insurance and other payables		70 818 181	89 709 384
Outstanding risk claims provision	4	151 644 547	123 168 763
Total funds and liabilities		3 253 013 116	3 039 520 846

SUMMARISED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

		2019	2018
	Notes	R	R
Risk contribution income	5	4 710 618 971	4 391 313 922
Relevant healthcare expenditure		(4 500 067 987)	(4 164 441 435)
Net claims incurred	6	(4 392 680 828)	(4 052 321 359)
Risk claims incurred		(4 404 904 638)	(4 062 247 508)
Third-party claim recoveries		12 223 810	9 926 149
Managed Care: management services	7	(128 410 006)	(120 542 999)
Net income on risk transfer arrangements	8	21 022 847	8 422 923
Risk transfer arrangements premiums paid		(166 816 379)	(199 780 526)
Recoveries from risk transfer arrangements		187 839 226	208 203 449
Gross healthcare surplus		210 550 984	226 872 487
Administration expenditure	9	(257 367 014)	(241 887 966)
Net impairment loss on insurance receivables		(1 681 490)	(4 934 338)
Net healthcare deficit		(48 497 520)	(19 949 817)
Other income		230 422 671	97 229 052
Investment income	10	230 421 191	97 147 731
Sundry income		1 480	81 321
Other expenditure		(46 775 854)	(42 559 942)
Asset management fees		(11 734 706)	(10 697 227)
Interest paid on Personal Medical Savings Accounts monies		(35 041 148)	(31 862 715)
Net surplus for the year		135 149 297	34 719 293
Other comprehensive income			
Items that will be reclassified to profit or loss:			
Actuarial gain on post retirement liability		539 000	435 000
Total comprehensive income for the year		135 688 297	35 154 293



STATEMENT OF CHANGES IN FUNDS AND RESERVE

As at 31 December 2019

	2019	2018
	R	R
Opening balance at the beginning of the year	2 103 275 916	2 068 121 623
Actuarial gain on post retirement liability	539 000	435 000
Net surplus for the year	135 149 297	34 719 293
Closing balance at the end of the year	2 238 964 213	2 103 275 916



STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

		2019	2018
Notes		R	R
Cashflows generated from operations before working capital changes			
		135 149 297	34 719 293
		Adjustments for:	
	9	427 147	379 564
		28 475 784	5 990 680
	10	(27 228 435)	(26 688 807)
	10	(161 143 748)	(161 375 846)
		35 041 148	31 862 715
	10	(42 049 008)	90 916 922
		11 734 706	10 697 227
		(136 000)	(45 000)
		(19 729 109)	(13 543 252)
Working capital changes			
		(10 528 811)	(32 712 840)
		(18 891 203)	19 382 632
		68 894 392	53 632 569
		19 745 269	26 759 109
		7 619 580	7 013 090
		(35 041 148)	(31 862 715)
		(7 676 299)	1 909 484
Cash flows from investing activities			
		(359 569)	(365 277)
	2	1 382 948 714	620 623 124
	2	(1 382 948 714)	(848 034 327)
		(359 569)	(227 776 480)
		(8 035 868)	(225 866 996)
		562 418 245	788 285 241
		554 382 377	562 418 245

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS

for the year ended 31 December 2019

1 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the summarised financial statements are set out below. The policies applied 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 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 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

New standards, amendments and interpretations relevant to the Scheme:

The following new standards, amendments and interpretations to the existing standards have been published and are effective for the current financial year.

Title	Effective date – financial year commencing on or after
IFRS 16 – Leases – The objective of IFRS 16 is to report information that represent lease transactions and to provide a basis for users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. The standard introduces a single lessee accounting model that requires lessees to recognise assets and liabilities for all leases with a term of more than 12 months. The Scheme has opted not to implement this standard yet as the current lease contract expires end of 2020. The rental expense is currently expensed in the Statement of Comprehensive Income.	1 January 2019



NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2019

1 PRINCIPAL ACCOUNTING POLICIES (continued)

1.2 Standards and interpretations (continued)

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
IAS1 – 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. The impact of these amendments on the financial statements of the Scheme, is not anticipated to be material.	1 January 2020
IAS8 – 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. The impact of these amendments on the financial statements of the Scheme, is not anticipated to be material.	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. During the International Accounting Standards Board (IASB), board meeting held on 17 March 2020, the IASB decided to defer the effective date of IFRS 17 Insurance Contracts to 1 January 2023, one year later than it originally proposed.	1 January 2023



NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2019

2 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019	2018
	R	R
Fair value at the beginning of the year	2 406 469 930	2 108 675 636
Dividends recapitalised	27 228 435	26 688 807
Interest recapitalised	150 105 952	145 308 433
Realised gains on disposal	140 243 714	16 102 429
Management fees	(11 734 706)	(10 697 227)
Acquisition of investments	1 382 948 714	848 034 327
Proceeds on disposal of investments	(1 382 948 714)	(620 623 124)
Net movement on revaluation of financial assets at fair value through profit or loss	(98 194 706)	(107 019 351)
Fair value at the end of the year	2 614 118 619	2 406 469 930
Less: Short-term portion shown in current assets	(65 100 152)	(48 535 193)
	2 549 018 467	2 357 934 737
The investments comprise:		
– Listed equities	1 003 505 128	631 435 779
– Offshore collective investment schemes	62 428 274	84 793 793
– Money market instruments	738 227 562	742 284 380
– Bonds	800 170 296	932 339 053
– Rand denominated offshore bonds	9 787 359	15 616 925
	2 614 118 619	2 406 469 930

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 8.40% (2018: 7.72%).

3 PERSONAL MEDICAL SAVINGS ACCOUNT MONIES

	2019	2018
	R	R
Balance due to members on Personal Medical Savings Account liability at the beginning of the year	715 516 783	661 884 214
Add:		
– Personal Medical Savings Account contributions received or receivable for the current year (Note 5)	687 909 948	648 624 811
– Interest allocated to members' savings accounts	35 041 148	31 862 715
– Transfers into the Scheme	3 061 458	3 311 710
Less:		
– Savings payouts on death or resignation	(46 160 185)	(41 425 652)
– Savings claims paid (Note 6)	(610 957 977)	(588 741 015)
Balance due to members on Personal Medical Savings Account held at the end of the year	784 411 175	715 516 783

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 their 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 2019 but not recorded will amount to R6.2 million (2018 : R4.7 million).

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.

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2019

4 OUTSTANDING RISK CLAIMS PROVISION

	2019		2018	
	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	11 897 579	139 746 968	8 779 285	114 389 478
Analysis of movements in outstanding risk claims				
Balance at beginning of the year	8 779 285	114 389 478	5 529 717	111 648 366
Payments in respect of the prior year	(8 779 285)	(126 854 959)	(5 529 717)	(108 732 440)
(Under)/over provision in respect of the prior year	-	(12 465 481)	-	2 915 926
Adjustment for the current year	11 897 579	152 212 449	8 779 285	111 473 552
Balance at end of the year	11 897 579	139 746 968	8 779 285	114 389 478
Analysis of outstanding risk claims provision	11 897 579	139 746 968	8 779 285	114 389 478
Estimated gross claims	-	145 915 139	-	119 070 086
Outstanding risk claims provision relating to risk transfer arrangements	11 897 579	-	8 779 285	-
Less: Estimated recoveries from Personal Medical Savings Account	-	(6 168 171)	-	(4 680 608)
Total outstanding risk claim provision per statement of financial position – covered by risk transfer arrangements and not covered by risk transfer arrangements.		151 644 547		123 168 763

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 2020 claims run were combined with an extrapolation of future claims paid at claims runs occurring after mid-March 2020. It is assumed that the payments of future claims will emerge in a manner that is consistent with the historical pattern.

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2019

4 OUTSTANDING RISK CLAIMS PROVISION (continued)

Process and assumptions used to prepare estimates (continued)

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 2020 claims run.

The claims outstanding at year-end 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%	5%	9%	65%
Bankmed Basic	2%	4%	13%	53%
Bankmed Core Saver	3%	3%	8%	43%
Bankmed Traditional	2%	3%	7%	34%
Bankmed Comprehensive	1%	2%	7%	34%
Bankmed Plus	1%	1%	5%	34%
Average	2%	3%	8%	40%

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.

	2019	2018
	R	R
Effect of a 1% increase in assumed percentage	14 909 335	13 817 966
Effect of a 2% increase in assumed percentage	30 182 132	27 971 283
Effect of a 3% increase in assumed percentage	45 832 463	42 472 813

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2019

5 RISK CONTRIBUTION INCOME

	2019	2018
	R	R
Gross contributions per registered rules	5 398 528 919	5 039 938 733
Less: Personal Medical Savings Account contributions received (Note 3)	(687 909 948)	(648 624 811)
	4 710 618 971	4 391 313 922

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

	2019	2018
	R	R
Claims incurred excluding claims incurred in respect of risk transfer arrangements		
Current year claims	4 675 810 939	4 331 311 522
Movement in outstanding risk claims provision (Note 4)	152 212 449	111 473 552
– Under/(over) provision in the prior year (Note 4)	12 465 481	(2 915 926)
– Current year balance	139 746 968	114 389 478
Less :		
– Savings claims paid (Note 3)	(610 957 977)	(588 741 015)
	4 217 065 411	3 854 044 059
Claims incurred in respect of risk transfer arrangements		
Current year claims	175 941 648	199 424 164
Movement in outstanding claims provision		
– Adjustment for the current year (Note 4)	11 897 579	8 779 285
	187 839 227	208 203 449
Total risk claims incurred	4 404 904 638	4 062 247 508
Less: third party claim recoveries		
– Recoveries from the Road Accident Fund	(4 384 417)	(1 353 594)
– Forensic recoveries	(7 839 393)	(8 572 555)
Net claims incurred	4 392 680 828	4 052 321 359

7 MANAGED CARE: MANAGEMENT SERVICES

	2019	2018
	R	R
Clinical risk management	36 357 749	33 986 196
Hospital referrals and pre-authorisations	33 753 563	31 554 176
Medical provider network management	31 392 572	29 350 554
Pharmacy benefit management	26 906 122	25 652 073
	128 410 006	120 542 999



NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2019

8 NET INCOME ON RISK TRANSFER ARRANGEMENTS

	2019	2018
	R	R
Recoveries received on risk transfer arrangements	187 839 226	208 203 449
– Discovery Health	179 572 573	147 966 733
– Preferred Provider Negotiators	-	52 983 092
– Centre for Diabetes and Endocrinology	8 266 653	7 253 624
Less:		
Premiums paid on risk transfer arrangements	(166 816 379)	(199 780 526)
– Discovery Health	(159 834 161)	(143 560 951)
– Preferred Provider Negotiators	-	(50 011 115)
– Centre for Diabetes and Endocrinology	(6 982 218)	(6 208 460)
	21 022 847	8 422 923

The Scheme renewed three existing risk transfer arrangements during 2019.

Discovery Health (Pty) Ltd

Primary healthcare for the Basic and Essential Plans 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 benefit 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 Bankmed Comprehensive Plan and Bankmed Traditional Plan. 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 benefit options of the Scheme, except for the Bankmed Basic Plan and Bankmed Essential Plan. The risk transfer agreement is in accordance with instructions given by the Scheme. The risk transfer premiums are charged on a per enrollee basis.

The estimated claims incurred under these arrangements are determined using the similar claims experience for members not on the relevant plans and calculating a Per Life Per Month (PLPM) rate. The value of claims under these arrangements are determined by multiplying the PLPM rate by the lives exposure for the relevant plan members.

9 ADMINISTRATION EXPENDITURE

	2019	2018
	R	R
Administration fees	202 959 499	189 937 557
Actuarial fees	2 356 858	2 297 716
Association fees	626 231	584 118
Audit fees (external)	982 440	826 491
Communication expenses	8 880 331	11 177 788
Consulting fees	1 924 322	1 631 702
Depreciation	427 147	379 564
Fidelity guarantee and professional indemnity insurance premium	212 660	202 898
Internal audit costs	351 164	561 373
Office lease and other rental charges	2 730 281	2 562 161
Legal fees	386 901	554 614
Levies – Council for Medical Schemes	4 216 472	3 919 140
Principal Officer's remuneration	3 544 000	3 101 988
Trustee remuneration	2 695 358	2 658 884
Staff costs	16 054 402	15 414 988
Other expenses	9 018 948	6 076 984
	257 367 014	241 887 966



NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2019

10 INVESTMENT INCOME

	2019	2018
	R	R
Investments at fair value through profit or loss	177 334 387	171 997 240
– Dividend income	27 228 435	26 688 807
– Interest income	150 105 952	145 308 433
Net fair value gains/(losses) on investments at fair value through profit or loss	42 049 008	(90 916 922)
Cash and cash equivalents interest income	11 037 796	16 067 413
	230 421 191	97 147 731



NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2019

11 SURPLUS/(DEFICIT) AFTER INVESTMENT INCOME, OTHER INCOME AND OTHER EXPENDITURE PER BENEFIT OPTION

2019	Bankmed Essential R	Bankmed Basic R	Bankmed Core Saver R	Bankmed Traditional R	Bankmed Comprehensive R	Bankmed Plus R	Total R
Risk contribution income	58 179 635	656 902 968	906 148 821	723 873 418	2 081 320 729	284 193 400	4 710 618 971
Relevant healthcare expenditure	(24 155 802)	(486 835 926)	(706 251 325)	(713 257 327)	(2 239 395 144)	(330 172 463)	(4 500 067 987)
Net claims incurred	(21 337 245)	(476 824 167)	(674 155 234)	(698 470 453)	(2 195 614 106)	(326 279 623)	(4 392 680 828)
Risk claims incurred	(21 382 023)	(477 725 911)	(676 085 246)	(700 484 535)	(2 202 002 713)	(327 224 210)	(4 404 904 638)
Third party claim recoveries	44 778	901 744	1 930 012	2 014 082	6 388 607	944 587	12 223 810
Managed care: management services	(3 896 517)	(26 402 822)	(32 965 729)	(15 343 620)	(45 707 754)	(4 093 564)	(128 410 006)
Net income on risk transfer arrangements	1 077 960	16 391 063	869 638	556 746	1 926 716	200 724	21 022 847
Risk transfer arrangements premiums paid	(4 447 783)	(142 170 653)	(5 026 107)	(3 162 538)	(10 881 888)	(1 127 410)	(166 816 379)
Recoveries from risk transfer arrangements	5 525 743	158 561 716	5 895 745	3 719 284	12 808 604	1 328 134	187 839 226
Gross healthcare surplus/(deficit)	34 023 833	170 067 042	199 897 496	10 616 091	(158 074 415)	(45 979 063)	210 550 984
Administration expenditure	(7 712 688)	(53 680 138)	(65 824 877)	(30 590 075)	(91 563 024)	(7 996 212)	(257 367 014)
Net impairment loss on insurance receivables	(35 299)	(280 913)	(433 477)	(202 636)	(675 212)	(53 953)	(1 681 490)
Net healthcare surplus/(deficit)	26 275 846	116 105 991	133 639 142	(20 176 620)	(250 312 651)	(54 029 228)	(48 497 520)
Other income	7 039 633	47 678 668	59 843 205	27 157 988	81 476 072	7 227 104	230 422 671
Investment income	7 039 588	47 678 362	59 842 821	27 157 814	81 475 547	7 227 058	230 421 191
Sundry income	45	306	384	174	525	46	1 480
Other expenditure	(358 507)	(2 428 125)	(17 164 259)	(1 383 071)	(23 369 010)	(2 072 882)	(46 775 854)
Asset management fees	(358 507)	(2 428 125)	(3 047 627)	(1 383 071)	(4 149 322)	(368 054)	(11 734 706)
Interest paid on Personal Medical Savings Account monies	-	-	(14 116 632)	-	(19 219 688)	(1 704 828)	(35 041 148)
Net surplus/(deficit) for the year	32 956 972	161 356 534	176 318 088	5 598 297	(192 205 589)	(48 875 006)	135 149 297



NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2019

11 SURPLUS/(DEFICIT) AFTER INVESTMENT INCOME, OTHER INCOME AND OTHER EXPENDITURE PER BENEFIT OPTION (continued)

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	13 182 051	24 262 182	8 110 058	45 817 925	4 199 004	97 229 052
Investment income	1 655 770	13 165 652	24 242 638	8 099 968	45 787 424	4 196 279	97 147 731
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)	(25 313 273)	(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

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2019

12 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 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 participates in the Scheme's financial and operating policy decisions, but does not control the Scheme. Discovery Health (Pty) Ltd provides administration and managed care services. As Discovery Health (Pty) Ltd is a related party, its subsidiaries and fellow subsidiaries within the Discovery Ltd group are related parties to the Scheme. The Scheme furthermore has a risk transfer arrangement for the Basic and Essential Plans 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, had significant influence over the Scheme in terms of the risk transfer arrangement related to optical services for Comprehensive and Traditional Plans, but did not control the Scheme.

Transactions and balances with parties with significant influence over the Scheme

	2019	2018
	R	R
Statement of comprehensive income		
Actuarial fees	2 356 858	2 297 716
Administration fees	202 959 499	189 937 557
Road Accident Fund recoveries	4 384 417	1 353 594
Risk transfer premiums paid	159 834 161	193 572 066
Managed care: Management services	112 911 353	105 557 507
Statement of financial position		
Investments at fair value through profit or loss: Participating employers	861 942 022	876 474 693
Cash and cash equivalents: Participating employers	77 407 842	88 944 386
Insurance and other payables	13 851 082	22 126 229
Share of outstanding claims provision	11 897 579	7 364 165

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 the administration agreement

The administration 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.

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 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.

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2019

12 RELATED PARTY DISCLOSURES (continued)

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 non-executive Board of Trustees and the Executive Officers of the Scheme. The disclosure deals with full-time Executive Officers who are compensated on a salary basis, and non-executive Board of Trustees who are compensated on a fee basis. Close family members include close family members of the Board of Trustees and Executive Officers 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.

	2019	2018
	R	R
Statement of comprehensive income		
<i>Compensation</i>		
Short-term employee benefits	11 461 895	9 594 399
Trustee remuneration	2 695 358	2 658 884
Total compensation paid to key management personnel	14 157 253	12 253 283
<i>Contributions and claims</i>		
Contributions received	929 703	858 347
Claims incurred	993 231	770 048
Personal Medical Savings Account interest	4 455	4 128
Statement of financial position		
Personal Medical Savings Account monies	38 312	44 302

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

Transaction	Nature of transactions and terms and conditions thereof
Compensation	This constitutes remuneration and consideration paid to Trustees and Executive Officers short-term employee benefits and unvested long-term employee benefits.
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. The amounts are all current, and are payable on demand should an appropriate claim be issued, or the member exit the Scheme.

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2019

13 NON-COMPLIANCE WITH THE MEDICAL SCHEMES ACT NO 131 OF 1998

13.1 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 2019, 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 2020 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.

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

Nature and impact

Contributions due from a number of participating employers were received more than three days after becoming due in certain months during 2019, which is in contravention of Section 26(7) of the Act.

Causes for the failure

Due to internal process delays in some participating employers, the contributions paid on behalf of members were not paid 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.



NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2019

13 NON-COMPLIANCE WITH THE MEDICAL SCHEMES ACT NO 131 OF 1998 (continued)

13.3 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's exemption from Section 35(8)(a) expired in November 2018. An application for renewal was submitted to the CMS. Due to new internal processes at the CMS, however, exemption was only granted after a prolonged process. The exemption granted is effective 1 December 2019 to 30 November 2021.

13.4 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's exemption from Section 35(8)(c) expired in November 2018. An application for renewal was submitted to the CMS. Due to new internal processes at the CMS, however, exemption was only granted after a prolonged process. The exemption granted is effective 1 December 2019 to 30 November 2021.

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

Nature and impact

A medical scheme shall, in the case where an account has been rendered, subject to the provisions of this Act and the rules of the medical scheme concerned, pay to a member or a supplier of service, any benefit owing to that member or supplier of service within 30 days after the day on which the claim in respect of such benefit was received by the medical scheme.

Causes for the failure

Total claims to the value of R9.3 million were paid later than 30 days of receipt. Delays occur when accounts are referred for clinical audit or other investigations. These are however exceptions and claims are generally paid within the prescribed time.

Corrective action

The Scheme is aware of the requirements and complies as far as possible. It is however an inherent part of the industry that a limited number of problematic claims may exceed the payment requirement of 30 days.

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2019

13 NON-COMPLIANCE WITH THE MEDICAL SCHEMES ACT NO 131 OF 1998 (continued)

13.6 Prescribed minimum benefits

Nature and impact

Section 29(1)(o) and Regulation 8 provide the scope and level of minimum benefits that the Scheme must provide to members and dependants.

Causes for the failure

During the year under review there were isolated instances where the Scheme did not pay claims in accordance with the scope and level of minimum benefits.

Corrective action

The Scheme is aligning its interpretation of prescribed minimum benefits with CMS's interpretation, and affected claims are being reprocessed to ensure correct payment.

14 EVENTS AFTER THE REPORTING DATE

At the reporting date, there were no cases of COVID-19 identified in South Africa, and the decline in the fair value of investments occurred after the reporting date. These events are non-adjusting events after the reporting date and no adjustments were made to the amounts recognised in the summarised financial statements as at 31 December 2019.

Subsequent to the reporting date and prior to the date the summarised financial statements were authorised for signature, the President of South Africa declared a national state of disaster as a result of the global COVID-19 pandemic on 15 March 2020. Even though South Africa is in the early stage of the outbreak, and there exist uncertainties about the potential impact of COVID-19 on the Scheme and its members, the Scheme has considered various possible scenarios, including stress test scenarios, to assess the potential impact of COVID-19. The results of the scenarios indicate that the Scheme's claims for 2020 could increase by between approximately 0.6% to 1.9%.

The Board of Trustees are of the view that the Scheme's strong financial position and reserve levels will allow the Scheme to absorb the potential direct and indirect negative impact of COVID-19 with a reduction of less than 5% in the 2020 solvency level, based on the most likely scenario and it is not envisaged that it will have an impact on the Scheme's ability to pay claims as they arise.

COVID-19 has also had a dramatic impact on the South African and global investment markets resulting in a decline in the fair value of investments between the reporting date and the date when the summarised financial statements were authorised for signature. The Scheme experienced a negative net investment return of 5.9% during the first quarter of 2020.



BANKMED TRUSTEE FEE POLICY

Incorporating Independent Committee Members

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:

- That 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;
- That, as a medical scheme, Bankmed has a non-profit motive; and
- 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 of 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).
- 4.5. The proposed fees for the forthcoming year/cycle are set out in Appendix A.

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 B.



6. EXPENSES

- 6.1. Trustees and Independent Committee Members shall be reimbursed for all reasonable expenses incurred by them for attendance at the meetings, the annual strategy session, and the AGM.
- 6.2. Travel and accommodation requirements for attendance at these meetings shall be co-ordinated by Bankmed, in terms of Bankmed's Travel Policy.
- 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. Where Trustees and Independent Committee members may be travelling from outside the borders of South Africa, reimbursements will be capped at the lesser of the actual expenses, and what would be paid for a trip from a location furthest from the meeting venue, but within the borders of South Africa, as determined by the Principal Officer. The receipts and documentation associated with these expenses must be submitted to Bankmed's finance department.

7. TAXATION

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, WORKSHOPS AND TRAINING EVENTS

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

Trustees would be paid up to a maximum of three (3) days for the Annual Strategic Planning Workshop. For other workshops and/or training, Trustees would be paid at the latest hourly flat rate, for a maximum of two (2) workshops per annum, for a maximum of six (6) hours per workshop.

10. ANNUAL GENERAL MEETING

- 10.1. The notice of meeting 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 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 in non-compliance with 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: BANKMED TRUSTEE REMUNERATION FOR 2019/2020

Bankmed Board of Trustee fees per meeting:

BOARD	FEE PER MEETING 2018/2019	FEE PER MEETING 2019/2020 (BASED ON AN AVERAGE INCREASE OF 6%, ROUNDED)
Chairman	R29 500	R31 300
Vice Chairman	R22 200	R23 500
Other Members	R14 800	R15 700

Bankmed Committee fees for trustees and independent committee members (for example – the Audit Committee members):

COMMITTEE	FEE PER MEETING 2018/2019	FEE PER MEETING 2019/2020 (BASED ON AN AVERAGE INCREASE OF 6%, ROUNDED)
Chairman	R18 300	R19 400
Other Members	R9 200	R9 800

Only Committee and Board meetings, formally constituted with the Board's approval or subsequently ratified by the Board, shall attract fees. Trustees/Independent Committee Members are only remunerated for attendance at meetings. Payment for meeting attendance includes payment for preparation time.

Fees payable for ad-hoc tasks:

For ad hoc tasks or deliverables that require attendance by Board or committee members, a fee shall be paid at a flat rate of R2 600 per hour across the board, with a maximum cap of 6 hours. The R2 600 is based on the current fixed fee per meeting, for an ordinary Board member, of R15 700, divided by 6 hours (and rounded off to R2 600).

Any Independent Committee Member, requested to attend the AGM, shall be paid at the ad-hoc rate.

ANNEXURE B: CORE MEETINGS PER ANNUM

COMMITTEE	NUMBER OF CORE MEETINGS
Board of Trustees	7**
Audit Committee	4
Remuneration Committee	3
Risk Management Committee	4
Investment Committee	4

** Board = 4

Strategy = 1

Benefit Design = 2 max





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