

BANKMED

# AGM

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2021



## Notice of the Annual General Meeting to be held on 24 June 2021

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*Includes the 2020 Summarised Financial Statements*



## **NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the 107th Annual General Meeting of Bankmed will be held Virtually on Thursday, 24 June 2021.

### **Agenda**

1. To read the notice convening the meeting
2. To approve the minutes of the 106th Virtual Annual General Meeting held on Thursday 1 October 2020
3. Feedback on matters arising and general update
4. To receive and adopt the audited Financial Statements and the Annual Report of the Board of Trustees for the year ended 31 December 2020
5. To note the Bankmed Trustee Fee Policy, and approve the proposed Trustee Fee increase for 2021/2022
6. To appoint the auditors for the ensuing year
7. To transact any other business of which notice was given by 30 April 2021
8. Announcement of the newly elected members of the Board of Trustees
9. Closure

By order of the Board



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EA SCHAFFRATH

# MINUTES OF THE 106<sup>TH</sup> ANNUAL GENERAL MEETING OF BANKMED

**Date and time:** Thursday, 1 October 2020 at 15h00

**Venue:** Virtual Meeting held via MS Teams

<b>Attendees:</b>	<b>Bankmed Board of Trustees present:</b>	Mr EA Schaffrath	Chairman
		Mr D Armstrong	Vice Chairman
		Mr G de Lange	
		Mr R Gush	
		Dr L Rametsi	
		Mr J Cresswell	
		Mr J Henning	
		Ms G Noemdoe	
		Mr D Bolt	
		Mr D Mkhonza	
		Ms D Mantle	
		Mr N Naidoo	
<b>Independent Chairperson of the Bankmed Audit Committee</b>		Ms F Petersen-Cook	
<b>Officials in attendance:</b>		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
		Ms N Schubach	Senior Manager: Communications
<b>Bankmed members:</b>		76 Principal Members	
<b>Observers:</b>		18 Non-voting attendees	
<b>Apologies:</b>	<b>Bankmed Board of Trustees</b>	No apologies noted	
	<b>Administrator:</b>	Mr S Johnston	

## ITEMS MINUTED

ITEM	DESCRIPTION	ACTION
<b>1 OPENING, WELCOME AND ATTENDANCE</b>	<p>The Chairman, Mr Alex Schaffrath, welcomed all present to the 106th Annual General Meeting (AGM) of Bankmed.</p> <p>It was noted that Bankmed would be assisted by the Scheme's Independent Electoral Body (IEB), namely BDO Advisory Services (Pty) Ltd (BDO), during the proceedings.</p> <p>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. The Chairman confirmed that the 52 Principal Members present as at 15:00, constituted a quorum.</p> <p>The Chairman informed attendees of the voting process, as was specified in the AGM communication distributed to members. Voting for the three proposed resolutions was opened at 14:30 on 1 October 2020. He confirmed that members would be requested to cast their votes on the respective resolutions, and the unaudited voting results would be announced to all present closer to the end of the meeting.</p> <p>Attendees were informed that claims or benefit queries would not be attended to at the meeting. Client Liaison Managers from the Scheme's administrator would typically be available for member queries, however, due to the AGM being held virtually, this was not possible. Members were requested to contact the Bankmed call centre on 0800 BANKMED (0800 226 5633) or email <a href="mailto:enquiries@bankmed.co.za">enquiries@bankmed.co.za</a>, for any personal queries that they may have.</p> <p>Attendees were informed of the Virtual AGM House Rules:</p> <ul style="list-style-type: none"><li>• Attendees would not be allowed to speak during the live event;</li><li>• Any questions or comments must be submitted via the Q&amp;A feature. BDO would first moderate all submissions before being published on the live event;</li><li>• Attendees are to include their full name as per their registered details. Anonymous questions, comments or submissions would be disregarded and not be published on the live event;</li><li>• Voting attendees can vote on motions through the Virtual Annual General Meeting (VAGM) portal, by selecting from the voting options on the menu, and then toggle back to the live event. Once a vote was submitted, members would not be able to amend their vote or vote again.</li></ul> <p>The Chairman confirmed that voting for the Board of Trustees had been carried out before the AGM and the results would be announced by BDO later under agenda item 8.</p>	
<b>2 TO READ THE NOTICE CONVENING THE MEETING</b>	<p>The Chairman confirmed the following in respect of the notice convening the meeting:</p> <p>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.</p> <p>It was confirmed that Bankmed had distributed the Notice convening the AGM on 30 June 2020. Members with an e-mail address were issued with the Notice on 30 June 2020 while members without an e-mail address were sent an SMS with a link to the website and notice on 30 June 2020. The official AGM documentation was also made available on the Scheme's website.</p>	
<b>3 MINUTES OF THE 105TH AGM HELD ON THURSDAY, 27 JUNE 2019</b>	<p>The draft minutes of the 105th AGM held on Thursday, 27 June 2019 were included in the booklet (as well as made available to members online) for review and approval, and were taken as read. The minutes were approved to be signed by the Chairman as a true reflection of proceedings. Proposed by Mr Marius Oosthuizen and seconded by Mr Morne Du Plessis.</p>	

4	MATTERS ARISING AND GENERAL UPDATE FROM THE MINUTES OF THE 105TH AGM HELD ON THURSDAY, 27 JUNE 2019	ACTION
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The Chairman called on the Principal Officer, Mr Mosomothane, to lead a presentation on matters arising from the prior year's minutes, industry information and a general Bankmed update. The Principal Officer shared the following salient points by way of a presentation:

#### 4.1. Matters Arising

The Principal Officer confirmed the following matters arising from the prior year's minutes were attended to:

01	Requested a rule amendment to confirm that the summarised Annual Financial Statements are reviewed by the external auditors, but not audited. Page ix of AGM pack.	Completed.	<input checked="" type="checkbox"/>
02	Split the Tax Certificate from the Tax Summary, and send members two PDF documents instead of one PDF containing all information. Page viii of AGM pack.	Completed.	<input checked="" type="checkbox"/>
03	Requested that a detailed breakdown of the Trustee fees to be included in the Trustee Fee Policy. Page x of AGM pack.	Completed. Document in AGM pack.	<input checked="" type="checkbox"/>
04	Inform members of all amendments to the Bankmed Scheme Rules. Page xiv of AGM pack.	Completed. Website amended.	<input checked="" type="checkbox"/>

#### 4.2. Industry Matters

##### General Industry Update

The Principal Officer informed the meeting that Bankmed continues to stay close to industry developments.

He advised that Bankmed remained an active member of an industry association operating as the Health Funders Association (HFA). This allows Bankmed to engage with other industry stakeholders, and participate in discussions that can potentially influence regulatory considerations, and the changing healthcare landscape. He advised that Bankmed's involvement in industry matters was informed by the best interests of its members.

##### Bankmed's Response to COVID-19

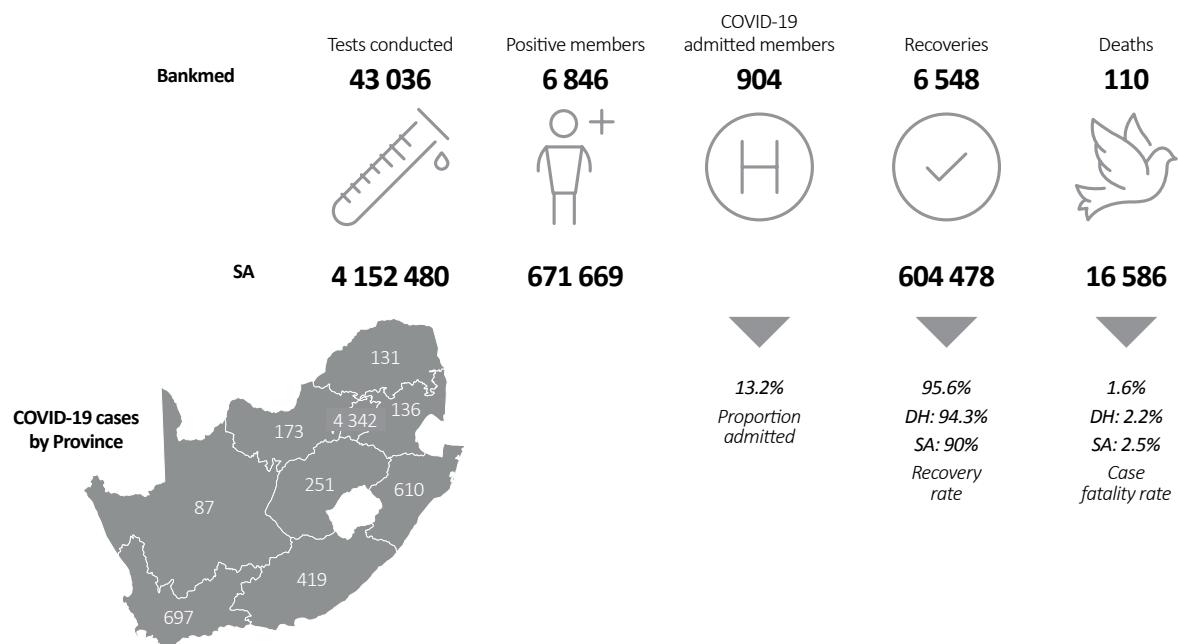
The Principal Officer confirmed that COVID-19 had indeed been the most topical matter in industry deliberations, and that Bankmed had been diligent in its response to this global pandemic. He informed the meeting that details relating to Bankmed's response to the pandemic were available on the Scheme's website. He summarised the benefits that Bankmed had introduced in response to the pandemic, and highlighted the following:

- COVID-19 tests will be paid for from Insured Benefits, regardless of the outcome of the result, provided that the test was considered necessary and in line with the protocols of the National Institute for Communicable Diseases (NICD);
- In-and-out of hospital cost of treatment will be paid from Insured Benefits;
- Network restrictions have been relaxed specifically for COVID-19;
- Virtual and telephonic consultations have been made available to members;
- The COVID-19 Isolation Hotel benefit has been made available to members; and
- Pulse Oximeter and additional consultations have been made available to high-risk members.

The Principal Officer reported that participating Employer Groups had demonstrated commendable agility and care for their employees in their response to COVID-19. He requested that it be put on record that Bankmed is proud to be in partnership with the banking industry, in respect of the health and wellness of their employees and Bankmed members.

The Principal Officer shared some information (see table below) on COVID-19, and highlighted some insights, from a Bankmed perspective. For comparative purposes, Discovery Health (DH) figures had been used as a proxy or point of reference to give an indication of how Bankmed compared to other medical schemes administered by DH. It was noted with interest that Bankmed's recovery rate (at 95.6% at the time) was higher than the national recovery rate of 90%, and the DH rate of 94.3%.





As at 29 September 2020, Bankmed reported a total of 110 fatalities, compared to a national total of 16,586 deaths. On behalf of Bankmed, the Principal Officer extended condolences to the families that had lost loved ones due to the pandemic.

Further details in the information shared (distribution by age and chronicity) gave an indication of the percentage of those that had chronic conditions amongst those who had tested positive for COVID-19 (32%). The analysis also showed that the median age of those who had tested positive was 39 years, at the time.

The Principal Officer referred to some of the queries received from members before the AGM, specifically regarding the associated costs of COVID-19, and shared information (as shown below) on admissions, admission costs, levels of severity, average cost per event (CPE), average length of stay (LOS), and the hospital mortality rate:

Admissions for COVID-19 positive members   Key Indicators			
Admissions	Members	ICU Members	Ventilation Members
1,014	904	150	78

Admission Costs					
*Limited to completed admissions					
Highest acuity	Admissions	Total Cost	Average CPE	Average LOS	Hospital mortality rate
Ventilation	79	33 867 578	428 704	18.8	68.80%
ICU	71	21 199 023	298 578	16.6	34.80%
High Care	158	17 737 330	112 262	9.7	5.90%
Other wards	651	28 236 682	43 374	6.6	4.80%
Total	959	101 040 613	105 360	8.9	12.5%

The Principal Officer, using the table shown below, also summarised the utilisation of benefits that Bankmed had made available for its members:

Utilisation of Virtual and Telephonic Consultations	Consultation Type	January to June 2020	July 2020	August 2020	September 2020
	Virtual Consultations	135	96	45	22
	Telephonic Consultations	4 069	2 755	1 271	673
Utilisation of Isolation Hotel Benefit		June 2020	July 2020	August 2020	September 2020
	Number of members	13	15	5	0
	Number of days	105	116	24	0
Pulse Oximeter Uptake			August 2020	September 2020	
	Number of Approved Pulse Oximeters		424	59	

#### Other Industry Developments

The Principal Officer concluded the industry update by making the following points:

- A variety of other industry conversations were ongoing, relating to legislation and regulations in the healthcare industry, and Bankmed was an active participant in such discussions;
- The final report on the Health Market Inquiry (HMI) was released in September 2019, however, the focus shifted to COVID-19. Bankmed remained attentive to how the HMI recommendations would be taken forward;
- COVID-19 had generated many views about the National Health Insurance (NHI), including whether implementation would be accelerated or whether the pandemic had made it impossible to prioritise NHI.

In this regard, Bankmed's view was that:

- COVID-19 had imposed many lessons that are useful for solutions that are really needed for the unfolding future. The Scheme intended to stay engaged and contribute to the desired solution, in the best interest of its members.
- Members were encouraged to remain vigilant and continue to comply with COVID-19 prevention protocols. The Principal Officer shared that Bankmed's concerns, and the mitigating strategies that the Scheme was working on, revolved around the following challenges (amongst others):
  - The impact of the pandemic on mental health;
  - The sustained interruption to the execution of wellness initiatives;
  - The deferral of necessary healthcare interventions. Members were encouraged to engage their healthcare providers about what healthcare interventions can and cannot be delayed;
  - The interruption to chronic medication compliance. Members were encouraged to take their chronic medication diligently;
  - Uncertainty and the impact of the pandemic on the economy.

#### 4.3. Service Delivery and Member Sentiment

##### *Operations and Service Environment*

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

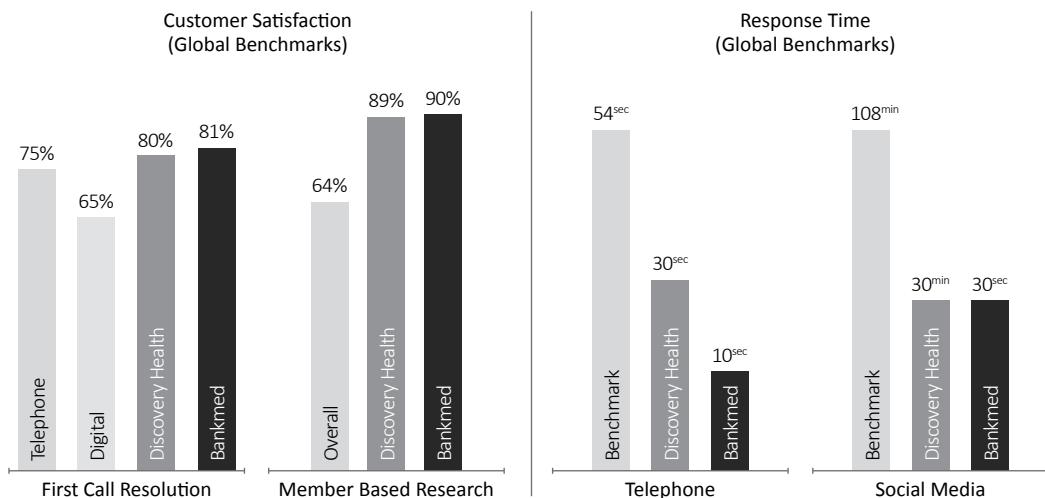
The Principal Officer shared the following information about Bankmed's membership base, interactions with the Scheme, claims, hospital admissions, and service channels available to members:

		
<b>Customers</b> Lives: 220 000 Employer Groups: 32	<b>Interactions</b> Calls per year: 492 000 E-mails per year: 143 000 Billed in premiums per year: 5.4bn Claims per year: 4.94m Hospital Admissions per year: 63 000	<b>Service Channels</b> Voice Web App E-mail Social Media Interactive Voice Response Face-to-face

He further reported that the Scheme was committed to investing in and optimising technology, mainly through its partnership with the administrator, to continuously improve and elevate the Bankmed member experience. To this end, the initiatives that were being pursued included the introduction of the virtual agent (chatbot) and chat services, enhancements to the Mobile App and website, giving progressive attention to the growing use of social media platforms, and optimisation of data science to achieve the desired objectives in this space.

Furthermore, Bankmed has access to a global benchmark report that allows the Scheme to compare service delivery measures against global benchmarks.

The 2020 Global Customer Experience Report (July to November 2019) from an entity previously known as Dimension Data, now known as Nippon Telegraph and Telephone Ltd, was referred to, to highlight how favourable Bankmed service level measures compare:



Independent survey results, sourced from the Healthcare Monitor Survey (November – December 2019) – Catalyst Research and Strategy, focusing on service partners like administrators, were also shared by the Principal Officer. The results showed that the DH scores were favourably above industry averages and other administrators, which was pleasing to note.

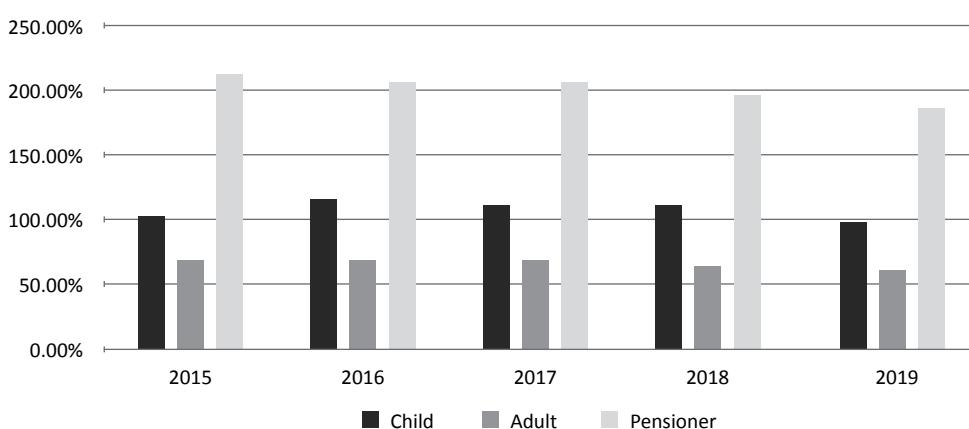
#### *Claims by Age/Life Stage*

Reference was made to the claims ratio of 95.5% for 2019, (as reflected in the AGM booklet, and the financials) which had increased from 94.8% in 2018. The ratio is an indication of the extent to which members' funds are utilised for their benefits. The Scheme's claim ratio was regarded as relatively high compared to the industry average of about 90.2% (based on industry information available for 2018).

The Principal Officer reminded the audience of a request submitted by some members, in previous years, 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 age. Older members' claiming profiles are supported through cross-subsidisation from younger, healthier 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 to the Council for Medical Schemes and members, on the sustainability of such an option.

Bankmed Claims Ratios 2015 – 2019



#### **5 TO RECEIVE AND ADOPT THE AUDITED FINANCIAL STATEMENTS AND THE ANNUAL REPORT OF THE BOARD OF TRUSTEES FOR THE YEAR ENDED 31 DECEMBER 2019**

**ACTION**

The Chairman confirmed that the Summarised Financial Statements were made available to members in the AGM booklet, and the full set of Audited Financial Statements (AFS) were made available to members on the Bankmed website.

The Chairman, by way of a presentation, made introductory remarks on investment governance and oversight. 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, the purpose of the Investment Committee is to review the investment manager's investment performance.

The Chairman highlighted the effect of IFRS 9 being adopted in the AFS, and summarised that as follows:

- Investment at fair value through profit and loss as opposed to available-for-sale;
- Realised versus unrealised returns whereby all returns are accounted for as realised through the statement of comprehensive income (SOCI);
- No available-for-sale reserve going forward.

The Chairman also highlighted the following portfolio limitations, as prescribed in Regulation 30 of the Medical Schemes Act:

- Restricted from investing in offshore equities;
- Maximum of 40% investment ratio in South African equities;
- Maximum exposure to any major bank may not exceed 35%;
- Maximum exposure of 10 % and 20% to other private and public entities, respectively;
- A minimum cash and/or liquid instruments of 20%.

Before moving to the adoption of the audited Annual Financial Statements and the Annual Report of the Board of Trustees, the Chairman introduced Mr Dave Flint from Willis Towers Watson (the Scheme's independent Investment Advisor).

Mr Flint, by way of a presentation, gave an investment update. He gave an overview of the market status as at the end of 2019, aligned with financial statements, as well as a market update as at the end of July 2020. A further comparison of the Scheme's performance against off-the-shelf products was given as additional information.

Mr Flint highlighted Bankmed's gross investment performance, as at end December 2019, of 7.8%, meeting the CPI target of 7.8% and outperforming the Stefi Composite (the short-term fixed interest index) of 7.3%. Bankmed had, however, not achieved the 3-year, 5-year and 10-year CPI+3% target.

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

- Investment markets continue to underperform;
- Bankmed continues to review the choice of asset managers available in the market;
- Volatility in returns remains a feature;
- Longer-term picture (10-year) remains positive;
- Bankmed's longer-term performance is better and at a lower risk than the median amongst Medical Scheme investment portfolios;
- CPI +3%/3.5% target has been a challenge.

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

The Chairman confirmed that the AGM was held in terms of the Rules of the Scheme. Rule 28.2.1 deals with the content of the Notice convening the AGM, and states that the Notice must include the agenda, the summarised Annual Financial Statements, the auditor's and Trustees' report, and must 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.

The Chairman called on the members to vote, if they had not already done so, for the approval of the audited Annual Financial Statements and the annual report.

The Chairman informed the meeting that voting results that would be announced at the meeting would be unaudited, and BDO would still undertake the audit process and confirm the results after the meeting. It was announced that 26 members approved the resolution, and one member did not approve the resolution. This resulted in an overall approval of 96% of those who were still present and voted.

The Audited Financial Statements and the Annual Report of the Board of Trustees for the year ended 31 December 2019 were, therefore, approved/adopted. This was subject to the audit and confirmation of the voting results, by BDO to the Scheme.

**BDO**

<b>6</b>	<b>TO NOTE THE BANKMED TRUSTEE FEE POLICY AND APPROVE THE PROPOSED TRUSTEE FEE INCREASE FOR 2020/2021</b>	<b>ACTION</b>
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The Chairman confirmed that the Trustee Fee Policy was included in the AGM booklet (for noting), and the total amount for trustee remuneration for 2019 was disclosed in the summarised Annual Financial Statements in the AGM booklet, note 9 on page 35 of the booklet (summarised Annual Financial Statements).

The Chairman further advised that the current state of the economy was taken into account, and it was agreed at the Board of Trustees meeting held on 30 September 2020, given the current extraordinary global situation, that the Scheme would remain conservative by applying a 0% increase for trustee fees, for the 2020/2021 cycle. Therefore, it was proposed that there be no increase in trustee fees for the 2020/2021 cycle.

The Chairman called on the members to vote, if they had not done so already, on the proposal as expressed above.

The Chairman announced that 27 members approved the proposal, and one member did not approve. This resulted in an overall approval of 96% of those who were still present and voted.

It was therefore resolved that the trustee fees would remain unchanged for the 2020/2021 cycle. This was subject to the audit and confirmation of the voting results, by BDO to the Scheme.

**BDO**



**7 APPOINTMENT OF THE AUDITORS****ACTION**

The Chairman reminded the meeting of the change in auditors from KPMG to PricewaterhouseCoopers (PwC), as was approved at the 105th Annual General Meeting held on 27 June 2019. He confirmed that on the recommendation of the audit committee, the Board of Trustees agreed to propose to the meeting that PwC be retained as Bankmed's auditor, for the 2020 annual financial audit.

The Chairman called upon the members to vote, if they had not done so already, for the approval of PwC as the auditor for ensuing year.

The Chairman announced that 27 members approved the resolution, and two members did not support the resolution. This resulted in an overall approval of 93% of those who were still present and voted.

PwC was therefore re-appointed as the auditor for Bankmed for the 2020 financial year. This was subject to the audit and confirmation of the voting results, by BDO to the Scheme.

**BDO****8 TO TRANSACT ANY OTHER BUSINESS OF WHICH NOTICE WAS GIVEN BY 30 JUNE 2020****ACTION**

The Chairman reminded the AGM of what constitutes a Motion as explicitly addressed in the Rules. The Notices of Motions received were presented to the Board of Trustees to determine whether the requests met the requirements of a Motion in terms of the Scheme Rules. The Board of Trustees had reviewed the various submissions and dealt with them accordingly.

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

In total, 13 members made submissions. What was actually submitted by the 13 members were 28 questions/queries. With specific reference to the provisions made in the Rules about what constitutes a Motion, there were no submissions that met these requirements; therefore, no Motions could be deliberated on at the meeting.

The questions/queries referred to above related mainly to personal claims and benefit queries. All members were contacted individually to resolve claim and benefit queries. In addition, the Scheme had also distributed an updated frequently asked questions document to members to provide information on the general questions/queries that had been submitted. Further to this, at the time of registering to attend the AGM, members were afforded another opportunity to raise any questions they may have had at the time. The Scheme subsequently compiled a document that sought to address the questions that had been raised pre-AGM, and the document had been made available to the members who had registered to attend the AGM.

The Principal Officer assured the audience about Bankmed's focus on continuous improvement, through active projects aimed at addressing areas of concern, and this was with a view to improving member experience.

The Principal Officer concluded this agenda item by giving a broad summary, as reflected in his presentation, of member queries and suggestions received before the AGM.

**Principal Officer**

With regard to comments and questions submitted via the chat platform during the AGM, which were a combination of personal and general questions, the Principal Officer reported that BDO had published these comments and questions. He assured the audience that these had been noted, and made reference to a few of them as examples of what had come through. The Principal Officer advised that, having reflected on what had come through, and their relevance to the AGM agenda items, he believed that the members would be served best by responding to all questions (including personal questions), in writing and comprehensively, after the AGM. He indicated that this could be done within 7 to 14 days. The Chairman agreed with the Principal Officer's proposal, given the nature of the queries, to respond to members in writing.

The Chairman made a note of a specific question received from Mr Steve Ward, via the Q&A feature, and proposed attending to his query.

**Mr Ward queried how members should vote without their questions being answered.**

The Chairman responded by confirming that there were specific resolutions that were voted on, namely, the approval of the audited Annual Financial Statements and Annual Report of the Board of Trustees, the appointment of the Auditors, and approval of the proposed Trustee fee increase. He further confirmed that the votes did not relate to any questions raised and the questions received did not relate to any of the approvals required. The Chairman agreed that these questions needed to be dealt with and would be dealt with outside of the meeting. He further confirmed that if there were any questions raised in respect of the voting process, for example, disputing of results, queries of this nature would need to be addressed to BDO. BDO's appointment, as the IEB, was informed by the guidance of the Council for Medical Schemes on the need for independent management and auditing of all voting, registration and other similar activities relating to the AGM.

<b>9 ANNOUNCEMENT OF THE NEWLY ELECTED MEMBERS OF THE BOARD OF TRUSTEES</b>	<b>ACTION</b>
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The Chairman called on and welcomed BDO to present the outcome of the Trustee elections and indicated that the Trustee election was held in terms of Rule 18.1.1 of the Bankmed Scheme Rules.

BDO, in their capacity as the IEB, facilitated the presentation on the outcome of the Trustee elections process.

The voting process commenced on 03 August 2020 at 12:00 and closed on 17 September 2020 at 12:00. The call for nominations was issued on 05 December 2019, with a closing date of 28 February 2020 at 12:00. All nominations were vetted to ensure compliance with the Scheme Rules. Criminal, credit and other verifications were conducted on qualifying nominees.

Vetted and verified candidates were presented to the Nominations Committee on 17 April 2020. Voting was conducted electronically through the online voting portal and a text voting system.

BDO received a total of 2 972 votes, a 14% increase from the 2019-member voting turnout.

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

- Mr Erhard Alexander Schaffrath
- Mr Roderick Percival Gush

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

The Chairman extended thanks for his re-election and congratulated Mr Roderick Gush on his re-election.

<b>10 CLOSURE</b>	<b>ACTION</b>
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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 17:21.

Signed as an accurate record of proceedings.

Chairman Signature

Date

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EA SCHAFFRATH



## **Summarised Financial Statements**

for the year ended 31 December 2020

The full Annual Financial Statements are accessible for download  
by visiting [www.bankmed.co.za](http://www.bankmed.co.za)



# **SUMMARISED FINANCIAL STATEMENTS**

**for the year ended 31 December 2020**

**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**

The Board of Trustees hereby presents its annual report for the year ended 31 December 2020.

## **1 DESCRIPTION OF THE MEDICAL SCHEME**

### **1.1 Terms of registration**

Bankmed Medical Scheme (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 2020:

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 account monies is reflected as a financial liability in the summarised financial statements, repayable in terms of Regulation 10 of the Act.

### **1.4 Risk transfer arrangements**

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

- Discovery Health (Pty) Ltd - To cover primary healthcare for members on the Bankmed Basic 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 D Mkhonza	Absa Bank Limited
Dr L Rametsi	Absa Bank Limited
Mr N Naidoo	The Standard Bank of South Africa Limited
Ms G Noemdoe	The Standard Bank of South Africa Limited

#### *Elected by members*

Mr EA Schaffrath (Chairman)
Mr J Cresswell
Mr G de Lange
Mr RP Gush
Mr J Henning
Ms D Mantle

The Board of Trustees met seven times during 2020 on the following dates:

- 26 February to 28 February 2020 (Annual Strategic Planning Session)  
23 April 2020  
24 June 2020  
23 July 2020  
03 September 2020  
30 September 2020  
26 November 2020

### **2.2 Principal Officer**

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

### **2.3 Registered office address and postal address**

Office 302B	Private Bag X2
34 Whiteley Road	Rivonia
Melrose Arch	2128
2076	

### **2.4 Medical scheme administrator**

Discovery Health (Pty) Ltd	
1 Discovery Place	PO Box 786722
Sandton	Sandton
2196	2146

## **REPORT OF THE BOARD OF TRUSTEES (continued)**

### **2 MANAGEMENT (continued)**

#### **2.5 Managed care and wellness providers**

Discovery Health (Pty) Ltd	
1 Discovery Place	PO Box 786722
Sandton	Sandton
2196	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
2196	2146
Centre for Diabetes and Endocrinology (Pty) Ltd	
81 Central Street	P.O. Box 2900
Houghton	Saxonwold
2198	2132

#### **2.7 Investment managers**

Ninety One SA (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	7708
7700	
Prudential Investment Managers (Pty) Ltd	
7th Floor	P.O. Box 44813
Protea Place	Claremont
40 Dreyer Street	Cape Town
Claremont	7708
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	7708

## **REPORT OF THE BOARD OF TRUSTEES (continued)**

### **2 MANAGEMENT (continued)**

#### **2.8 Investment consultant**

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

#### **2.9 Actuary**

NMG Consultants and Actuaries (Pty) Ltd	
NMG House	P.O. Box 3075
411 Main Avenue	Randburg
Randburg	2194
2125	

#### **2.10 External auditor**

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

#### **2.11 Internal auditor**

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

#### **2.12 Attorney**

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; in order to
- Maximise the fair value of the portfolios by buying, selling and holding investment assets such as equity, bonds and money market instruments;
- 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 Scheme utilises a current account and a liquid money market portfolio to manage its working capital cash requirements. Temporarily unused funds are kept in the higher interest yielding money market portfolio to maximise investment returns. When the funds are required for monthly operational purposes, they are transferred to the Scheme's transactional current account.

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	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Number of members at year end	3 552	3 658	22 140	22 939	29 517	28 507	12 292	12 574	35 791	37 727	3 175	3 365	106 467	108 770
Number of beneficiaries at year end	4 862	4 924	41 697	41 982	60 435	56 738	27 249	27 770	78 793	82 972	5 894	6 360	218 930	220 746
Average number of members for the year	3 527	3 342	22 359	22 635	29 637	28 410	12 441	12 893	36 366	38 680	3 233	3 431	107 563	109 391
Average number of beneficiaries for the year	4 789	4 518	41 687	41 328	59 967	56 019	27 493	28 454	79 840	85 001	6 033	6 524	219 809	221 844
Dependant ratio to members at year end	0.37	0.35	0.88	0.83	1.05	0.99	1.22	1.21	1.20	1.20	0.86	0.89	1.06	1.03
Pensioner ratio (65 Years +)	0.95%	0.79%	1.94%	1.77%	2.92%	2.80%	10.07%	9.63%	14.38%	13.68%	40.57%	38.38%	8.72%	8.53%
Average age of beneficiaries	28.58	27.82	25.55	25.21	26.34	26.10	34.44	34.01	37.53	36.85	55.28	54.17	32.05	31.81
Average net contributions per member per month (R)	1 554	1 451	2 626	2 418	2 901	2 658	5 013	4 246	4 840	4 484	7 397	6 903	3 835	3 589
Average net contributions per beneficiary per month (R)	1 144	1 073	1 409	1 325	1 434	1 348	2 269	1 924	2 205	2 040	3 964	3 630	1 877	1 769
Relevant healthcare expenditure as a percentage of net contributions	39.10%	41.52%	63.82%	74.11%	65.53%	77.94%	92.55%	74.11%	94.03%	107.59%	99.53%	116.18%	83.15%	95.53%
Average administration costs per member per month (R)	198	205	203	205	198	193	202	193	201	193	198	193	201	196
Average administration costs per beneficiary per month (R)	146	152	109	112	98	98	91	88	92	88	106	102	98	97
Amounts paid to administrator (R'000)	7 292	6 573	46 224	44 542	56 693	51 729	23 798	23 475	69 566	70 393	6 185	6 248	209 758	202 960
Non-health expenses as a percentage of gross contributions	12.86%	13.32%	7.81%	8.21%	5.88%	6.24%	4.07%	4.25%	3.46%	3.65%	2.08%	2.17%	4.62%	4.80%
Average accumulated funds per member at 31 December (R)													27.305	20.584
Average healthcare management expense per member per month (R)	102	97	102	97	103	97	99	99	103	98	103	99	103	98
Average healthcare management expense per beneficiary per month (R)	75	72	55	53	51	49	45	45	47	45	47	52	50	48
Return on investments as per an independent review by the Scheme's investment consultants													3.80%	7.80%

## **REPORT OF THE BOARD OF TRUSTEES (continued)**

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

#### **4.2 Results of operations**

The financial results of the Scheme are clearly set out in the summarised financial statements accompanying this report.

The Trustees would, however, like to draw the members attention to the unusually low level cost of claims paid during 2020. The claims experience was a direct result of the COVID-19 lock-down restrictions limiting the movement of the Scheme's beneficiaries, along with the rest of the population. This resulted in many non-essential doctors' visits, and elective medical procedures, being cancelled or postponed.

The above resulted in excess net healthcare surpluses accumulating as Scheme reserves, and the accumulated funds ratio increasingly from 40.46% at the end of 2019, to 50.72% at the end of 2020. The Scheme's strategic accumulated funds ratio range is between 35% and 40%. The budget for 2020, aimed for an accumulated funds ratio equal to the upper end of the strategic target range of 40%.

The Scheme will incur additional costs in 2021, related to the treatment of COVID-19, further testing, and the cost of the vaccine. There also may be the cost of 2020 postponed claims materialising in 2021. The funds accumulated in 2020 though, have put Bankmed in a strong financial position in order to deal with the challenges facing the Scheme in 2021.

#### **4.3 Accumulated funds ratio**

	<b>2020</b> R'000	<b>2019</b> R'000
Total members' funds per the statement of financial position	2 907 114	2 238 964
Less: Cumulative unrealised net gain on remeasurement of investments to fair value	(32 984)	(54 967)
Accumulated funds per Regulation 29	2 874 130	2 183 997
Gross contribution income	5 666 578	5 398 529
Accumulated funds ratio	50.72%	40.46%

The Scheme's reserve ratio exceeds the statutory reserve requirement of 25% of gross contribution income.

#### **4.4 Outstanding risk claims provision**

Movements on the outstanding risk claims provision are set out in Note 3 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 actuary has been consulted in determining the contribution increases and the viability of benefit levels.

## **6 INVESTMENTS IN PARTICIPATING EMPLOYERS OF MEMBERS OF THE SCHEME**

The Scheme holds the following investments in employer groups:

	<b>2020</b> R'000	<b>2019</b> R'000
Financial assets at fair value through profit or loss	1 474 743	861 942
Cash and cash equivalents	25 749	77 408
Total	1 500 492	939 350

Refer to Note 12 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.

## **REPORT OF THE BOARD OF TRUSTEES (continued)**

### **7 AUDIT COMMITTEE (continued)**

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

The Committee comprised of:

Ms F Petersen-Cook - Chairman (Independent)  
Ms R Gani (Independent)  
Ms F Levy-Hassen (Independent)  
Mr B Phillips (Independent)  
Mr J Henning (Trustee)  
Mr D Mkhonza (Trustee)

The Committee met four times during 2020 on the following dates:

21 February 2020  
07 April 2020  
06 August 2020  
12 November 2020

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 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)

The Committee met three times during 2020 on the following dates:

06 February 2020  
04 September 2020  
05 November 2020

### **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)  
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)  
Ms G Noemdoe (Trustee)  
Dr L Rametsi (Trustee)  
Ms F Petersen-Cook (Independent Audit Committee Chairman)

The Committee met four times during 2020 on the following dates:

24 March 2020  
13 May 2020  
27 August 2020  
28 October 2020

## **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 RP Gush (Trustee)  
Mr J Henning (Trustee)  
Mr EA Schaffrath (Trustee)

The Committee met four times during 2020 on the following dates:

17 April 2020  
11 June 2020  
21 August 2020  
05 November 2020

### **11 NOMINATIONS COMMITTEE**

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

The Committee comprised of:

Mr D Armstrong (Chairman)  
Mr J Cresswell (Trustee)  
Mr D Mkhonza (Trustee)

The Committee met once during 2020 on the following date:

17 April 2020

## REPORT OF THE BOARD OF TRUSTEES (continued)

### 12 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.

	Board of Trustees meetings		Remuneration Committee meetings		Audit Committee meetings		Risk Management Committee meetings		Nominations Committee meeting		Investment Committee meetings	
Trustee	A	B	A	B	A	B	A	B	A	B	A	B
Mr D Armstrong	7	7	3	3	—	—	—	—	1	1	4	4
Mr DW Bolt	7	7	3	3	—	—	—	—	—	—	—	—
Mr J Cresswell	7	7	3	3	—	—	4	4	1	1	—	—
Mr G de Lange	7	7	—	—	—	—	—	—	—	—	4	4
Mr RP Gush	7	7	—	—	—	—	—	—	—	—	4	4
Mr J Henning	7	6	—	—	4	3	—	—	—	—	4	4
Mrs D Mantle	7	7	—	—	—	—	4	4	—	—	—	—
Mr D Mkhonza	7	7	—	—	4	4	—	—	1	1	—	—
Mr N Naidoo	7	6	—	—	—	—	4	4	—	—	—	—
Ms G Noemdoe	7	7	—	—	—	—	4	4	—	—	—	—
Dr L Rametsi	7	7	—	—	—	—	—	—	—	—	—	—
Mr EA Schaffrath	7	7	3	3	—	—	—	—	—	—	4	4

## **REPORT OF THE BOARD OF TRUSTEES (continued)**

### **13 NON-COMPLIANCE MATTERS**

#### **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 Plus Plan incurred net healthcare deficits for the year ended 31 December 2020, 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 a budgeted loss. 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 2020, 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.

#### **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 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 applied to the Council for Medical Schemes (CMS) for an exemption from this section of the Act and is awaiting a response from CMS.

#### **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.

## **REPORT OF THE BOARD OF TRUSTEES (continued)**

### **13.4 Non-compliance with Section 35(8)(c) – Investments in any administrator (continued)**

#### *Corrective action*

The Scheme applied to the Council for Medical Schemes and received an exemption from this section of the Act. The exemption granted is effective 1 December 2019 to 30 November 2022.

### **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*

A small value of claims 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.

### **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 has aligned its interpretation of prescribed minimum benefits with CMS's interpretation, and affected claims have been reprocessed to ensure correct payment.

## **14 MEMBERSHIP**

The membership of the Scheme decreased by 2.12% to 106 467 at the end of 2020 when compared to the total membership at the end of 2019 of 108 770. The Board of Trustees is aware of the decline in membership over the previous two years, and the matter is receiving the necessary attention in terms of both risk management and future strategic options. At the end of 2020, the Scheme's average beneficiary age was 32.05 years (2019: 31.81 years). The pensioner ratio increased from 8.53% at the end of 2019 to 8.72% at the end of 2020.

## **15 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.

## **16 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.



## **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 2020 was 12.85% lower than that budgeted for the year. With this the Scheme achieved a gross healthcare surplus of R833.9 million.

Relevant healthcare expenditure, expressed as a percentage of risk contribution income, was 83.15% for 2020 (2019: 95.53%). The gross healthcare (underwriting) result for 2020, amounted to 14.72% of gross contributions (2019: 3.90%).

The net healthcare surplus, after deducting non-healthcare expenditure, amounted to R572.3 million (before investment and other income) in 2020, compared to a deficit of R48.5 million in the previous year. In the budget it was anticipated that a net healthcare deficit of R26.5 million would be incurred, compared to a budgeted net healthcare surplus of R34.7 million in 2019.

The Scheme generated a net surplus for the year under review of R668.1 million (2019: R135.1 million).

#### **17.2 Administration expenditure**

Administration expenditure remained stable at 4.57% of gross contribution income in 2020 (2019: 4.80%). 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 2020 amounted to R93.1 million, which is 49.30% less than the R183.6 million generated in 2019. 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.

##### *Restatement of the statement of financial position*

The Scheme has reassessed the classification of money market instruments held in various Collective Investment Schemes, in line with the requirements of International Accounting Standard 7: Statement of Cash Flows (IAS 7). The reassessment was conducted in order to assess whether these holdings meet the definition of cash and cash equivalents, and the short-term nature thereof. This has resulted in certain disclosure reclassifications, the effect of which is set out in Note 1 of the Summarised Financial Statements.

There is no impact on the investment strategy, solvency or liquidity of the Scheme.

#### **17.4 COVID-19**

The COVID-19 pandemic caused large-scale uncertainty worldwide, increasing both country and business risk in an unprecedented manner. The Scheme's COVID-19 risk poses a threat to the solvency of the Scheme because of the potential increase in members' healthcare needs and associated costs, the sharp decline seen in the financial markets and the potential loss of members due to COVID-19.

As it happens, the level of claims in 2020 reduced from R4,4 billion in 2019 to R4,0 billion in 2020 largely due to the lock-down and the delay in elective procedures. The investment income however was R82,4 million less than seen in 2019 due to the negative impact the pandemic had on the financial markets. The stable contribution income together with all other factors resulted in the Scheme's accumulated funds increasing substantially.

The total direct COVID-19 cost for 2020 amounted to R236,9 million. As at 31 March 2021, the Scheme had 13,792 members confirmed positive for COVID-19. Tragically 343 members lost their lives to the virus during the same period.

##### *Vaccine rollout and associated risks*

The Scheme is leveraging its partnership with its administrator, Discovery Health (Pty) Ltd (DH), who has been involved in supporting the vaccine acquisition task team established by the Minister of Health as well as the B4SA vaccine rollout project. The Scheme, together with DH and other industry stakeholders, has also been playing an active role in ongoing engagements with the CMS (through the Health Funders Association) on the vaccine rollout for medical schemes. The Scheme has stayed close to this matter through these engagements, and has reliable indications of costs associated with the vaccine funding as well as the timing and other implications of the vaccine rollout. The Trustees have assessed various scenarios in this regard. On the basis of these scenarios we are satisfied that the budget provision for vaccines is adequate. DH has a project focusing on vaccine implementation with the aim of optimizing access and risk mitigation for the Scheme while being consistent with, and supportive of, the national vaccine rollout plan.



## **REPORT OF THE BOARD OF TRUSTEES (continued)**

### **18 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.

### **19 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.

### **20 EVENTS AFTER THE REPORTING DATE**

There have been no events that have occurred subsequent to the end of the accounting period that affect the summarised financial statements, and that the Trustees consider should be brought to the attention of the members of the Scheme. The Scheme continues to closely monitor the developments of COVID-19.

### **21 GOING CONCERN**

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

### **22 BOARD OF TRUSTEES**

There were no changes to the Board of Trustees during 2020, as a result of the two member elected Trustees being re-elected.

### **23 VOTE OF APPRECIATION**

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

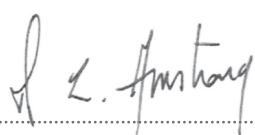
- All members of Bankmed and their employers;
- Independent members of the Board committees for their support;
- The Executive team and staff for the diligent manner in which they have managed the affairs of the Scheme;
- The Registrar of Medical Schemes and his staff for their co-operation and assistance;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

### **24 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 MOSOMOTHEANE  
PRINCIPAL OFFICER

28 April 2021

DATE

## SUMMARISED FINANCIAL STATEMENTS

for the year ended 31 December 2020

### 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 2020, 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 made an assessment of the ability of the Scheme to continue as a going concern and have no reason to believe that the Scheme will not be a going concern in the year ahead.

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

#### Approval of the summarised financial statements

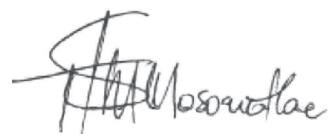
The summarised financial statements, as identified in the first paragraph, were approved by the Board of Trustees on 22 April 2021 and are signed on its behalf by:



EA SCHAFFRATH  
CHAIRMAN



D ARMSTRONG  
VICE CHAIRMAN



T MOSOMOTHANE  
PRINCIPAL OFFICER

28 April 2021

.....  
DATE

## SUMMARISED FINANCIAL STATEMENTS

for the year ended 31 December 2020

### 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 and a Nominations 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.

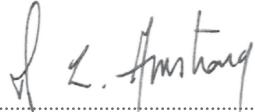
#### Internal control

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 MOSOMOTHANE  
PRINCIPAL OFFICER

28 April 2021

DATE

# STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

Notes	2020	31 December 2019 Restated		1 January 2019 Restated	
		R'000	R'000	R'000	R'000
<b>ASSETS</b>					
<b>Non-current assets</b>	<b>3 676 454</b>	<b>2 826 089</b>	<b>2 660 422</b>		
Equipment	913	950	1 018		
Financial assets at fair value through profit or loss	2 3 675 541	2 825 139	2 659 404		
<b>Current assets</b>	<b>375 050</b>	<b>426 924</b>	<b>379 099</b>		
Financial assets at fair value through profit or loss	2 230 395	115 387	52 926		
Trade and other receivables	71 430	83 562	69 615		
Cash and cash equivalents	73 225	227 975	256 558		
<b>Total assets</b>	<b>4 051 504</b>	<b>3 253 013</b>	<b>3 039 521</b>		
<b>FUNDS AND LIABILITIES</b>					
<b>Members' funds</b>	<b>2 907 114</b>	<b>2 238 964</b>	<b>2 103 276</b>		
Accumulated funds	2 907 114	2 238 964	2 103 276		
<b>Non-current liability</b>	<b>5 853</b>	<b>6 214</b>	<b>6 877</b>		
Post-retirement medical aid benefit liability	5 853	6 214	6 877		
<b>Current liabilities</b>	<b>1 138 537</b>	<b>1 007 835</b>	<b>929 368</b>		
Post-retirement medical aid benefit liability	959	961	973		
Outstanding risk claims provision	3 134 507	151 645	123 169		
Personal Medical Savings Account monies	4 893 322	784 411	715 517		
Trade and other payables	109 749	70 818	89 709		
<b>Total funds and liabilities</b>	<b>4 051 504</b>	<b>3 253 013</b>	<b>3 039 521</b>		

# STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 R'000	2019 R'000
<b>Risk contribution income</b>	5	<b>4 949 944</b>	<b>4 710 619</b>
<b>Relevant healthcare expenditure</b>		<b>(4 116 079)</b>	<b>(4 500 068)</b>
Net claims incurred		(3 974 040)	(4 392 681)
Risk claims incurred	6	(3 987 893)	(4 404 905)
Third-party claims recoveries	6	13 853	12 224
Accredited managed healthcare service (no risk transfer)	7	(132 672)	(128 410)
Net (expense)/income on risk transfer arrangements		(9 367)	21 023
Risk transfer arrangements premiums paid	8	(168 058)	(166 816)
Recoveries from risk transfer arrangements	8	158 691	187 839
<b>Gross healthcare surplus</b>		<b>833 865</b>	<b>210 551</b>
Administration expenditure	9	(258 800)	(257 367)
Net impairment losses		(2 728)	(1 682)
<b>Net healthcare surplus / (deficit)</b>		<b>572 337</b>	<b>(48 498)</b>
<b>Other income</b>		<b>150 652</b>	<b>230 423</b>
Investment income	10	148 002	230 421
Sundry income		2 650	2
<b>Other expenditure</b>		<b>(54 900)</b>	<b>(46 776)</b>
Asset management fees		(13 193)	(11 735)
Interest paid on Personal Medical Savings Accounts monies		(41 707)	(35 041)
<b>Net surplus for the year</b>		<b>668 089</b>	<b>135 149</b>
<b>Other comprehensive income</b>			
<b>Items that will be reclassified to profit or loss:</b>			
Actuarial gain on post retirement liability		61	539
<b>Total comprehensive income for the year</b>		<b>668 150</b>	<b>135 688</b>

## STATEMENT OF CHANGES IN FUNDS AND RESERVE

As at 31 December 2020

Notes	2020 R'000	2019	
		R'000	2019
Opening balance at the beginning of the year	2 238 964		2 103 276
Net surplus for the year	668 089		135 149
Other comprehensive income	61		539
<b>Closing balance at the end of the year</b>	<b>2 907 114</b>		<b>2 238 964</b>

# STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

Notes	2020	2019 Restated
	R'000	R'000
<b>Cashflows generated/(utilised) from operations before working capital changes</b>		
Net surplus for the year	668 089	135 149
Adjustments for:		
– Depreciation	187	427
– Increase in outstanding risk claims provision	(17 138)	28 476
– Dividend income	(38 570)	(27 228)
– Interest income	(159 673)	(161 144)
– Net return on Personal Medical Savings Account monies invested	41 707	35 041
– Net fair value losses/(gains) on investments at fair value through profit or loss	50 241	(42 049)
– Asset management fees	13 193	11 735
– Decrease in post retirement medical aid benefit liability- staff cost	(302)	(136)
<b>Cash generated/(utilised) in operations before working capital changes</b>	<b>557 734</b>	<b>(19 729)</b>
<b>Working capital changes</b>		
– Decrease/(increase) in insurance and other receivables	8 216	(10 529)
– Increase/(decrease) in insurance and other payables	38 931	(18 891)
– Increase in Personal Medical Savings Account monies	108 911	68 894
<b>Cash generated by operations</b>	<b>713 792</b>	<b>19 745</b>
Interest received	21 075	15 825
Interest paid on Personal Medical Savings Account monies	(41 707)	(35 041)
<b>Net cash generated/(utilised) in operating activities</b>	<b>693 160</b>	<b>529</b>
<b>Cash flows from investing activities</b>		
Purchase of equipment	(150)	(360)
Proceeds on disposal of Financial assets at fair value through profit or loss	2 4 990 392	5 000 181
Acquisition of Financial assets at fair value through profit or loss	2 (5 838 152)	(5 028 933)
<b>Net cash utilised in investing activities</b>	<b>(847 910)</b>	<b>(29 112)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(154 750)</b>	<b>(28 583)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>227 975</b>	<b>256 558</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>73 225</b>	<b>227 975</b>

# **ACCOUNTING POLICIES**

For the year ended 31 December 2020

## **1 GENERAL INFORMATION**

Bankmed Medical Scheme (the Scheme) is a health insurance provider that offers the insurance of hospital, chronic illness and day-to-day benefits and is administered by Discovery Health (Pty) Ltd, a wholly owned subsidiary of Discovery Limited, listed in the insurance sector of the Johannesburg Stock Exchange (JSE).

The Scheme is a restricted membership medical scheme registered in terms of the Medical Schemes Act No. 131 of 1998, as amended (the Act), and is domiciled in the Republic of South Africa.

## **2 BASIS OF PREPARATION**

The Summarised Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS), which are set by the International Accounting Standards Board (IASB). The Summarised Financial Statements are also prepared in accordance with the Act, which requires additional disclosures for registered medical schemes.

The detailed accounting policies have been set out in the respective note to the Summarised Financial Statements, with the general accounting policies applied in the preparation of these Summarised Financial Statements set out below. These policies have been consistently applied to all years presented, except for changes required by the mandatory adoption of new and revised IFRS.

The preparation of the Summarised Financial Statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Scheme's accounting policies.

The Summarised Financial Statements are prepared in accordance with the going concern principle using the historical cost basis except for certain financial assets and liabilities, which include:

- Financial instruments at fair value through profit or loss

All monetary information and figures presented in these Summarised Financial Statements are stated in rand thousand (R'000), unless otherwise indicated.

## **3 IMPLEMENTATION OF NEW STANDARDS**

### **New standards, amendments and interpretations effective and 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.

<b>Standard</b>	<b>Scope</b>	<b>Effective date</b>
IAS 1: Presentation of Financial Statements	Disclosure Initiative: The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards. This amendment had no significant impact on the Financial Statements of the Scheme.	1 January 2020
IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors	Disclosure Initiative: The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards. This amendment had no significant impact on the Financial Statements of the Scheme.	1 January 2020

## **ACCOUNTING POLICIES (continued)**

For the year ended 31 December 2020

### **3 IMPLEMENTATION OF NEW STANDARDS (continued)**

#### **New standards, amendments and interpretations effective and relevant to the Scheme:**

The following new standards, amendments and interpretations to the existing standards have been published and are not yet effective for the current financial year. The Scheme has not early adopted them and it is not expected that they will have any material impact on the Scheme's assets, liabilities and results but may result in additional disclosure in the Summarised Financial Statements.

<b>Standard</b>	<b>Scope</b>	<b>Effective date</b>
IFRS 17: Insurance contracts	<p>The Standard was issued in May 2017 and supersedes IFRS 4 Insurance Contracts.</p> <p>The Standard creates one accounting model for all insurance contracts and establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued.</p> <p>The Standard requires insurance contracts to be measured using updated estimates and assumptions that reflect the timing of cash flows and takes into account any uncertainty relating to insurance contracts.</p> <p>The Standard provides for a simplified approach (premium allocation approach) for the measurement of a group of insurance contracts only if, at the inception of the group, the entity reasonably expects that the simplification will produce measurement of the liability for remaining coverage that would not differ materially from that produced using the general measurement model and if the coverage period is one year or less.</p> <p>Potential impact: The Scheme has assessed the requirements of the standard and agreed a project plan to implement the standard. The coverage period for the Scheme's contracts is one year or less allowing for the premium allocation approach to be applied, resulting in similar treatment to the current accounting. The most notable exceptions relate to the accounting for Personal Medical Savings Accounts, the treatment of onerous contracts and changes to disclosures in the financial statements.</p>	1 January 2023



# NOTES TO THE SUMMARISED FINANCIAL STATEMENTS

for the year ended 31 December 2020

## 1 RESTATEMENT OF COMPARATIVE FIGURES

The Scheme's investment portfolio consists of numerous classes of investments with different investment managers. Included in the portfolios are money market type instruments which are owned through pooled funds in the form of collective investment schemes. In this instance the Scheme holds units in the pooled fund instead of the underlying instruments in the fund. In the prior year, the Scheme disclosed in its Summarised Financial Statements the fair value of the underlying instruments in the pooled vehicles by applying a look through principle. This resulted in the underlying money market type Instruments of the collective investment schemes being classified as cash and cash equivalents by considering the maturity dates thereof. This reclassification has also resulted in an additional adjustment to the interest received in the Statement of Cashflows.

The Scheme has reassessed the classification of these money market instruments in line with the requirements of International Accounting Standard 7: Statement of Cash Flows (IAS 7) to confirm if these meet the definition of cash and cash equivalents. This involved assessing whether the Units held in the funds qualify as cash and cash equivalents. This has resulted in reclassification and the effect of the restatement set out below;

	As previously reported	Effect of restatement	As restated
	<b>Year ended 31 December 2019</b>		
<b>Statement of comprehensive income (R'000)</b>			
Net surplus for the year	34 719	-	34 719
<b>Statement of financial position (R'000)</b>			
	<b>As at 1 January 2019</b>		
Financial assets at fair value through profit or loss (Non-current)	2 357 935	301 469	2 659 404
Financial assets at fair value through profit or loss (Current)	48 535	4 391	52 926
Cash and cash equivalents	562 418	(305 860)	256 558
	<b>As at 31 December 2019</b>		
Financial assets at fair value through profit or loss (Non- current)	2 549 019	276 120	2 825 139
Financial assets at fair value through profit or loss (Current)	65 100	50 287	115 387
Cash and cash equivalents	554 382	(326 407)	227 975
<b>Statement of cash flows (R'000)</b>			
Cash and cash equivalents at the beginning of the year	562 418	(305 860)	256 558
Interest received	7 620	8 205	15 825
Proceeds on disposal of Financial assets at fair value through profit or loss	1 382 949	3 617 232	5 000 181
Acquisition of Financial assets at fair value through profit or loss	(1 382 949)	(3 645 984)	(5 028 933)

## **NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (continued)**

for the year ended 31 December 2020

### **2 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

#### **Accounting policy**

The Scheme's investment strategy (business model objective) is determined by means of an allocation across different asset classes and grouping of Financial assets into specific portfolios. Independent asset managers manage these portfolios under fully discretionary, active mandates with performance evaluated at portfolio level on a fair value basis. All asset managers are remunerated based on the fair value of the portfolios under management. The business model objective is achieved through the selling of assets per the documented strategy for realisation of gains with the collection of contractual cash flows being incidental to the primary business model objective. The Financial assets are managed together and grouped into specific portfolios. Based on the business model objective the Financial assets are measured at fair value through profit or loss.

Financial assets at fair value through profit or loss are initially recognised at fair value and the transaction costs are expensed in the surplus or deficit section of the Statement of Comprehensive Income.

The fair value of the financial instruments traded in an active market is determined by using quoted market prices or dealer quotes. The fair value of financial instruments not traded in an active market is determined by using valuation techniques that maximise the use of observable market data and rely as little as possible on entity specific estimates.

Gains or losses arising from subsequent changes in fair value are recognised under Other income in the Statement of Comprehensive Income within the period in which they arise.

#### **Note**

The Scheme's Financial assets at fair value through profit or loss are summarised by measurement classes as follows:

	<b>2020</b>	<b>2019</b>
	R'000	R'000
Listed equities	875 123	851 324
Commodity linked instruments	50 763	43 704
Collective investment schemes	604 609	236 618
Offshore collective investment schemes	97 941	107 666
Money market instruments	1 035 103	745 013
Bonds	880 401	610 510
Rand denominated offshore bonds	–	9 788
Linked Insurance Policies	361 996	335 903
	<b>3 905 936</b>	<b>2 940 526</b>

## NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2020

### 2 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Notes	2020	2019
	R'000	R'000
Fair value at the beginning of the year	2 940 526	2 712 330
Dividends recapitalised	38 570	27 229
Interest recapitalised	142 514	141 901
Realised (losses)/gains on disposal	(28 258)	140 244
Management fees	(13 193)	(11 735)
Acquisition of Financial assets at fair value through profit or loss	5 838 152	5 028 933
Proceeds on disposal of Financial assets at fair value through profit or loss	(4 990 392)	(5 000 181)
Net movement on revaluation of Financial assets at fair value through profit or loss	<u>(21 983)</u>	<u>(98 195)</u>
<b>Fair value at the end of the year</b>	<b>3 905 936</b>	<b>2 940 526</b>
Less: Short-term portion shown in current assets	(230 395)	(115 387)
	<b>3 675 541</b>	<b>2 825 139</b>

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 8.70% (2019: 8.40%).

## NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2020

### 3 OUTSTANDING RISK CLAIMS PROVISION

#### Accounting policy

Claims outstanding comprise provisions for the Scheme's best estimate of the ultimate cost of settling all claims incurred but not yet reported at the reporting date. Claims outstanding are determined as accurately as possible based on a number of factors. These include previous experience in claims patterns, claims settlement patterns, trends in claims frequency, changes in the claims processing cycle, and variations in the nature and average cost incurred per claim.

Claims handling expenses are not separately accounted for as this service is provided by the Administrator and a fixed fee is paid for the full administration service, including claims handling. No provision for claims handling expenses is required as the Scheme has no further liability to the Administrator at year end.

Estimated co-payments and payments from members' Personal Medical Savings Account monies are deducted in calculating the outstanding claims provision. The Scheme does not discount its provision for outstanding claims since the effect of the time value of money is not considered material.

	Notes	2020 R'000	2019 R'000
Outstanding claims provision – not covered by risk transfer arrangements		131 397	139 747
Outstanding claims provision – covered by risk transfer arrangements		3 110	11 898
		<b>134 507</b>	<b>151 645</b>
<i>Analysis of movement in outstanding claims</i>			
Balance at the beginning of the year		151 645	123 169
Payments in respect of prior year		(157 591)	(135 634)
Under provision		(5 946)	(12 465)
Outstanding claims provision raised in current year			
Not covered by risk transfer arrangements		137 343	152 212
Covered by risk transfer arrangements		3 110	11 898
<b>Balance at the end of the year</b>		<b>134 507</b>	<b>151 645</b>
<i>Analysis of outstanding claims provision</i>			
Estimated gross claims		138 255	157 813
Less: estimated recoveries from savings plan accounts (note 4)		(3 748)	(6 168)
<b>Balance at the end of the year</b>		<b>134 507</b>	<b>151 645</b>

## NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2020

### 4 PERSONAL MEDICAL SAVINGS ACCOUNT MONIES

#### Accounting policy

Members' PMSAs represent savings contributions (which are a deposit component of the insurance contracts), and accrued interest thereon, net of any savings claims paid on behalf of members in terms of the Scheme's registered Rules. The deposit component has been unbundled since the Scheme can measure the deposit component separately and the Scheme's accounting policies do not otherwise require recognition of all obligations and rights arising from the deposit component.

The deposit component is recognised in accordance with IAS 39/IFRS 9 and is initially measured at fair value and subsequently at amortised cost using the effective interest rate method. The insurance component is recognised in accordance with IFRS 4.

The savings accounts contain a demand feature and are initially measured at fair value plus transaction costs, which is the amount payable to a member on demand, discounted from the first date that the amount could be required to be paid. Subsequent to initial measurement, the liability is measured at amortised cost using the effective interest rate method.

Unspent savings at year end are carried forward to meet future expenses for which the members are responsible. In terms of the Act, balances standing to the credit of members are refundable only in terms of Regulation 10 of the Act.

Advances on savings contributions are funded from the Scheme's funds and the risk of impairment is carried by the Scheme.

Interest payable on members' PMSAs is expensed when incurred.

	Notes	2020 R'000	2019 R'000
Balance of PMSAs at the beginning of the year		784 411	715 517
<i>Add:</i>			
PMSA contributions received or receivable (note 5)		716 634	687 910
Interest received on PMSAs		41 707	35 041
Transfers received from other medical schemes		2 376	3 062
<i>Less:</i>			
Claims paid to or on behalf of members (note 6)		(599 846)	(610 958)
Refunds paid on death or resignation		(51 960)	(46 161)
		<b>893 322</b>	<b>784 411</b>

It is estimated that claims to be paid out of members' PMSAs in respect of claims incurred in 2020 but not reported will amount to approximately R3.7 million (2019: R6.2 million).

As at 31 December 2020 the carrying amount of the members' PMSAs were deemed to be equal to their fair values, which is the amount payable on demand.

Interest is determined from time to time by the Scheme at its discretion and added to the funds allocated to the member's PMSA in terms of the Scheme Rules. The Scheme does not charge interest on negative (overdrawn) PMSA balances.

## NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2020

### 5 RISK CONTRIBUTION INCOME

#### Accounting policy

Gross contributions comprise risk contributions and Personal Medical Savings Account contributions. Contributions on member insurance contracts are accounted for monthly when their collection in terms of the insurance contract is reasonably assured. Risk contributions represent gross contributions after the deduction of Personal Medical Savings Account contributions. Risk contributions are earned from the date of attachment of risk, over the indemnity period on a straight-line basis. The earned portion of risk contributions received is recognised as revenue.

Notes	2020 R'000	2019 R'000
Gross contributions per registered Scheme Rules	5 666 578	5 398 529
Less: Personal Medical Savings Account contributions (note 4)	(716 634)	(687 910)
	<b>4 949 944</b>	<b>4 710 619</b>

### 6 NET CLAIMS INCURRED

#### Accounting policy

##### *Claims incurred*

Gross claims incurred comprise the total estimated cost of all claims arising from healthcare events that have occurred in the year and for which the Scheme is responsible, whether or not reported by the end of the year.

Risk claims incurred comprise:

- Claims submitted and accrued for services rendered during the year;
- Payments under provider contracts for services rendered to members;
- Over or under provisions relating to prior year claims estimates;
- Claims incurred but not yet reported;
- Claims settled in terms of risk transfer arrangements.

Net of:

- Claims from members' Personal Medical Savings Account monies;
- Recoveries from members for co-payments;
- Recoveries from third parties;
- Discount received from service providers.

Anticipated recoveries under risk transfer arrangements are disclosed separately as assets, and are assessed in a manner similar to the assessment of the outstanding claims provision and claims reported not yet paid.

## NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2020

### 6 NET CLAIMS INCURRED (continued)

#### Accounting policy (continued)

##### *Reimbursements from Road Accident Fund*

The Scheme grants assistance to its members in defraying expenditure incurred in connection with the rendering of any relevant health service. Such expenditure may be in connection with a claim that is also made against the Road Accident Fund, administered in terms of the Road Accident Fund Act No 56 of 1996. If the member is reimbursed by the Road Accident Fund, they are obliged, contractually, to cede that payment to the Scheme to the extent that they have already been compensated.

Due to the uncertainty around the confirmation and measurability of the Road Accident Fund amounts, the Scheme accounts for these amounts on a cash basis. These amounts are recognised as a reduction of net claims incurred.

	Notes	2020	2019
		R'000	R'000
Current year claims per registered Scheme Rules		4 453 232	4 851 753
Claims not covered by risk transfer arrangements		4 297 651	4 675 811
Claims covered by risk transfer arrangements (note 8)		155 581	175 942
Movement in outstanding risk claims provision		134 507	164 110
Under provision in prior year (note 3)		5 946	12 465
Adjustment for the current year		128 561	151 645
		<hr/> 4 587 739	<hr/> 5 015 863
Less: Claims charged to members' Personal Medical Savings Accounts (note 4)		(599 846)	(610 958)
Risk claims incurred		3 987 893	4 404 905
Less: Third party claims recoveries		(13 853)	(12 224)
		<b>3 974 040</b>	<b>4 392 681</b>

## **NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (continued)**

for the year ended 31 December 2020

### **7 ACCREDITED MANAGED HEALTHCARE SERVICES (NO RISK TRANSFER)**

#### **Accounting policy**

Accredited managed healthcare services (no risk transfer) fees comprise amounts paid or payable to a third party for managing the utilisation, costs and quality of healthcare services to the members of the Scheme and are expensed as incurred.

Accredited managed healthcare services are part of healthcare expenditure as they directly impact on the delivery of cost-effective and appropriate healthcare benefits to beneficiaries of the Scheme.

	Notes	2020	2019
		R'000	R'000
Clinical risk management		37 589	36 358
Hospital referrals and pre-authorisations		34 892	33 753
Medical provider network management		32 451	31 393
Pharmacy benefit management		27 740	26 906
	<b>132 672</b>	<b>128 410</b>	

### **8 NET (EXPENSE)/INCOME ON RISK TRANSFER ARRANGEMENTS**

#### **Accounting policy**

Risk transfer arrangements are contractual arrangements entered into by the Scheme and third parties who undertake to indemnify the Scheme against all or part of the loss that the Scheme may incur as a result of carrying on the business of a medical scheme. Risk transfer arrangements do not reduce the Scheme's primary obligations to its members and their dependants. The arrangements only decrease the loss the Scheme may incur as a result of carrying on the business of a medical scheme.

Risk transfer arrangement fees are recognised as an expense over the indemnity period on a straight-line basis.

The claims incurred under member insurance contracts and the equivalent claims recoveries are presented in the Statement of Comprehensive Income on a gross basis. Amounts recoverable under such contracts are therefore recognised in the same year as related claims. The claims incurred liability under risk transfer arrangements and the equivalent receivable are also presented in the Statement of Financial Position on a gross basis.

Assets relating to risk transfer arrangements include balances due under risk transfer arrangements for outstanding claims provisions, and claims reported not yet paid. Amounts recoverable under risk transfer arrangements are estimated in a manner consistent with the outstanding claims provision, claims reported not yet paid and settled claims associated with the risk transfer arrangement.

## NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2020

### 8 NET (EXPENSE)/INCOME ON RISK TRANSFER ARRANGEMENTS (continued)

#### **Accounting policy (continued)**

Amounts recoverable under risk transfer arrangements are assessed for impairment at each reporting date. These assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Scheme may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Scheme will receive under the risk transfer arrangement. The Scheme gathers the objective evidence that a risk transfer arrangement asset is impaired using the same process adopted for insurance receivables. The impairment loss is also calculated following the same method used for these receivables.

Notes	2020 R'000	2019 R'000
<b>The Scheme operated the following risk transfer arrangements during the year:</b>		
Recoveries received from risk transfer arrangements	158 691	187 839
Discovery Health (Pty) Ltd	149 755	179 572
Centre for Diabetes and Endocrinology (Pty) Ltd	8 936	8 267
Less: Premiums paid on risk transfer arrangements	(168 058)	(166 816)
Discovery Health (Pty) Ltd	(160 730)	(159 834)
Centre for Diabetes and Endocrinology (Pty) Ltd	(7 328)	(6 982)
	<b>(9 367)</b>	<b>21 023</b>

The Scheme renewed three existing risk transfer arrangements during 2020.

#### ***Discovery Health (Pty) Ltd - primary healthcare***

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 - emergency evacuation***

Discovery Health (Pty) Ltd also 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.

#### ***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 enrolee 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.

## NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2020

### 9 ADMINISTRATION EXPENDITURE

#### Accounting policy

Administration fees paid to the Scheme Administrator are expensed as incurred. Other operating expenses include expenses, other than administration fees, and are expensed as incurred.

	Notes	2020 R'000	2019 R'000
Administration fees		209 758	202 960
Actuarial fees		2 730	2 357
Association fees		657	626
Communication expenses		4 124	8 880
Consulting fees		1 442	1 924
Depreciation		187	427
External audit fees		1 347	982
Fidelity guarantee and professional indemnity insurance premium		220	213
Internal audit fees		607	351
Legal fees		228	387
Levies – Council for Medical Schemes		4 236	4 217
Office lease and other rental charges		2 741	2 730
Other expenses		7 256	9 019
Principal Officer's remuneration		4 009	3 544
Staff costs		16 202	16 055
Trustee remuneration		3 056	2 695
		<b>258 800</b>	<b>257 367</b>

## **NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (continued)**

for the year ended 31 December 2020

### **10 INVESTMENT INCOME**

#### **Accounting policy**

Investment income comprises dividends and interest received and accrued on Financial assets at fair value through profit or loss and interest on cash and cash equivalents.

Interest income is recognised using the effective interest rate method, taking into account the principal amount outstanding and the effective interest rate over the period to maturity, when it is determined that such income will accrue to the Scheme.

Dividend income from investments is recognised when the right to receive payment is established - this is on the 'last day to trade' for listed shares and on the 'date of declaration' for unlisted shares.

	<b>Notes</b>	<b>2020</b>	<b>2019</b>
		R'000	R'000
Financial assets at fair value through profit or loss		181 084	169 129
Dividend income		38 570	27 228
Interest income		142 514	141 901
Cash and cash equivalents interest income		17 159	19 243
Net fair value (losses)/gains on Financial assets at fair value through profit or loss		(50 241)	42 049
	<b>148 002</b>	<b>230 421</b>	

## NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2020

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

2020	Bankmed Essential Plan	Bankmed Basic Plan	Bankmed Core Saver Plan	Bankmed Traditional Plan	Bankmed Comprehensive Plan	Bankmed Plus Plan	Consolidated
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Risk contribution income	65 770	704 595	1 031 897	748 454	2 112 237	286 991	4 949 944
Relevant healthcare expenditure	(25 717)	(449 673)	(676 202)	(692 690)	(1 986 165)	(285 632)	(4 116 079)
Net claims incurred	(20 380)	(413 158)	(639 572)	(678 013)	(1 941 816)	(281 101)	(3 974 040)
Risk claims incurred	(20 447)	(414 593)	(641 788)	(680 372)	(1 948 613)	(282 080)	(3 987 893)
Third party claim recoveries	67	1 435	2 216	2 359	6 797	979	13 853
Managed care: management services	(4 323)	(27 401)	(36 492)	(14 815)	(45 035)	(4 606)	(132 672)
Net income on risk transfer arrangements	(1 014)	(9 114)	(138)	138	686	75	(9 367)
Risk transfer arrangements premiums paid	(4 756)	(142 452)	(5 675)	(3 279)	(10 867)	(1 029)	(168 058)
Risk transfer arrangement recoveries	3 742	133 338	5 537	3 417	11 553	1 104	158 691
<b>Gross healthcare surplus</b>	<b>40 053</b>	<b>254 922</b>	<b>355 695</b>	<b>55 764</b>	<b>126 072</b>	<b>1 359</b>	<b>833 865</b>
Administration expenditure	(8 395)	(54 546)	(70 294)	(30 120)	(87 753)	(7 692)	(258 800)
Net impairment loss on insurance receivables	(63)	(477)	(788)	(335)	(978)	(87)	(2 728)
<b>Net healthcare surplus/(deficit)</b>	<b>31 595</b>	<b>199 899</b>	<b>284 613</b>	<b>25 309</b>	<b>37 341</b>	<b>(6 420)</b>	<b>572 337</b>
Other income	5 026	31 328	41 767	17 393	50 645	4 493	150 652
Investment income	4 938	30 777	41 032	17 087	49 754	4 414	148 002
Sundry income	88	551	735	306	891	79	2 650
Other expenditure	(440)	(2 743)	(21 634)	(1 523)	(26 233)	(2 327)	(54 900)
Asset management fees	(440)	(2 743)	(3 658)	(1 523)	(4 436)	(393)	(13 193)
Interest paid on Personal Medical Savings Account monies	—	—	(17 976)	—	(21 797)	(1 934)	(41 707)
<b>Net surplus/(deficit) for the year</b>	<b>36 181</b>	<b>228 848</b>	<b>304 746</b>	<b>41 179</b>	<b>61 753</b>	<b>(4 254)</b>	<b>668 089</b>



## NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2020

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

2019	Bankmed Essential Plan	Bankmed Basic Plan	Bankmed Core Saver Plan	Bankmed Traditional Plan	Bankmed Comprehensive Plan	Bankmed Plus Plan	Consolidated
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Risk contribution income	58 180	656 903	906 149	723 873	2 081 321	284 193	4 710 619
Relevant healthcare expenditure	(24 156)	(486 836)	(706 252)	(713 257)	(2 239 395)	(330 172)	(4 500 068)
Net claims incurred	(21 337)	(476 824)	(674 155)	(698 471)	(2 195 614)	(326 280)	(4 392 681)
Risk claims incurred	(21 382)	(477 726)	(676 085)	(700 485)	(2 202 003)	(327 224)	(4 404 905)
Third party claim recoveries	45	902	1 930	2 014	6 389	944	12 224
Managed care: management services	(3 897)	(26 403)	(32 966)	(15 343)	(45 708)	(4 093)	(128 410)
Net income on risk transfer arrangements	1 078	16 391	869	557	1 927	201	21 023
Risk transfer arrangements premiums paid	(4 448)	(142 171)	(5 026)	(3 162)	(10 882)	(1 127)	(166 816)
Risk transfer arrangement recoveries	5 526	158 562	5 895	3 719	12 809	1 328	187 839
<b>Gross healthcare surplus</b>	<b>34 024</b>	<b>170 067</b>	<b>199 897</b>	<b>10 616</b>	<b>(158 074)</b>	<b>(45 979)</b>	<b>210 551</b>
Administration expenditure	(7 713)	(53 680)	(65 825)	(30 590)	(91 563)	(7 996)	(257 367)
Net impairment loss on insurance receivables	(35)	(281)	(433)	(203)	(676)	(54)	(1 682)
<b>Net healthcare surplus/(deficit)</b>	<b>26 276</b>	<b>116 106</b>	<b>133 639</b>	<b>(20 177)</b>	<b>(250 313)</b>	<b>(54 029)</b>	<b>(48 498)</b>
Other income	7 040	47 678	59 843	27 158	81 477	7 227	230 423
Investment income	7 040	47 678	59 843	27 158	81 475	7 227	230 421
Sundry income	—	—	—	—	2	—	2
Other expenditure	(359)	(2 428)	(17 164)	(1 383)	(23 369)	(2 073)	(46 776)
Asset management fees	(359)	(2 428)	(3 048)	(1 383)	(4 149)	(368)	(11 735)
Interest paid on Personal Medical Savings Account monies	—	—	(14 116)	—	(19 220)	(1 705)	(35 041)
<b>Net surplus/(deficit) for the year</b>	<b>32 957</b>	<b>161 356</b>	<b>176 318</b>	<b>5 598</b>	<b>(192 205)</b>	<b>(48 875)</b>	<b>135 149</b>



## **NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (continued)**

for the year ended 31 December 2020

### **12 RELATED PARTY TRANSACTIONS**

The Scheme is governed by the Board of Trustees which is constituted of 12 Trustees, six of whom are employer appointed and six being member elected.

#### **Key management personnel and their close family members**

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.

#### **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 Discovery Health (Pty) Ltd 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. The Scheme furthermore has a risk transfer arrangement for the Basic and Essential Plans with Discovery Health (Pty) Ltd. 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. Discovery Ltd's Annual Report provides detail of its group structure.

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.

#### **Transactions with related parties**

The following provides the total amount in respect of transactions, which have been entered into with related parties for the relevant financial year.

Transactions with key management personnel and their close family members which includes Trustees and Executive Officers:

	<b>Notes</b>	<b>2020</b>	<b>2019</b>
		R'000	R'000
<b><i>Statement of Comprehensive Income</i></b>			
Compensation			
Short-term employee benefits		13 140	11 462
Trustee remuneration		3 056	2 695
<b><i>Contributions and claims</i></b>			
Gross contributions received		909	930
Gross claims paid		1 436	993
Interest paid on Personal Medical Savings Accounts		1	5
<b><i>Statement of Financial Position</i></b>			
Personal Medical Savings Accounts balances		54	38

## NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2020

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

<b>Transactions</b>	<b>Nature of transactions and their terms and conditions</b>
Compensation	This constitutes remuneration and consideration paid to Trustees and Executive Officers short-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 on the same terms as applicable to other members.
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 other members.
Personal Medical Savings Account balances	The amounts owing to the related parties relate to Personal Medical Savings Account balances to which the parties have a right. In line with the terms applied to other members, the balances earn monthly interest on an accrual basis, at interest rates determined by the Scheme from time to time at its discretion. The amounts are all current and would need to be payable on demand as applicable to other members.

### Transactions with entities that have significant influence over the Scheme

	<b>Notes</b>	<b>2020</b>	<b>2019</b>
		R'000	R'000
<b>Statement of Comprehensive Income</b>			
Actuarial fees		2 730	2 357
Administration fees		209 758	202 960
Road Accident Fund recoveries		4 875	4 384
Risk transfer premiums paid		160 730	159 834
Managed care: management services		116 728	112 911
<b>Statement of financial position</b>			
Financial assets at fair value through profit or loss: Participating employers		1 474 743	861 942
Cash and cash equivalents: Participating employers		25 749	77 408
Insurance and other payables		23 680	13 851
Share of outstanding claims provision		3 110	11 898

The terms and conditions of the transactions with entities with significant influence over the Scheme were as follows:

#### 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. The Scheme has the right to terminate the agreement on 6 months notice.

#### 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. The Scheme has the right to terminate the agreement on 6 months notice.

#### Terms and conditions of investments in participating employers

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

## **NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (continued)**

for the year ended 31 December 2020

### **13 NON-COMPLIANCE MATTERS**

Circular 11 of 2006 (the Circular) issued by the CMS deals with issues to be addressed in the audited financial statements of medical schemes. This includes the requirement that all instances of non-compliance be disclosed in the audited financial statements, irrespective of whether the auditor considers them to be material or not.

During 2020, the Scheme did not comply with the following Sections and Regulations of the Act.

#### **Sustainability of benefit plans**

##### *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 Plus Plan incurred net healthcare deficits for the year ended 31 December 2020, thereby contravening Section 33(2)(b) and Section 33(2)(c) of the Act.

##### *Causes of 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 a budgeted loss. As required by the CMS, the Scheme continues to submit monthly management accounts reflecting the performance of the benefit options.

#### **Contributions received after due date**

##### *Nature and impact*

Contributions due from a number of participating employers were received more than three days after becoming due in certain months during 2020, which is in contravention of Section 26(7) of the Act.

##### *Causes of 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.

#### **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 of 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 applied to the Council for Medical Schemes (CMS) for an exemption from this section of the Act and is awaiting a response from CMS.

## **NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (continued)**

for the year ended 31 December 2020

### **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 of 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 applied to the Council for Medical Schemes and received an exemption from this section of the Act. The exemption granted is effective 1 December 2019 to 30 November 2022.

### **Claims paid in excess of 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 of failure*

A small number of claims 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.

### **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 of 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 has aligned its interpretation of prescribed minimum benefits with CMS's interpretation, and affected claims have been reprocessed to ensure correct payment.



# 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 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 have been 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 of the 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 2020/2021

**Bankmed Board of Trustee fees per meeting:**

BOARD	FEE PER MEETING 2019/2020	FEE PER MEETING 2020/2021
		(BASED ON AN AVERAGE INCREASE OF 0%, ROUNDED)
Chairman	R 31 300	R 31 300
Vice Chairman	R 23 500	R 23 500
Other Members	R 15 700	R 15 700

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

COMMITTEE	FEE PER MEETING 2019/2020	FEE PER MEETING 2020/2021
		(BASED ON AN AVERAGE INCREASE OF 0%, ROUNDED)
Chairman	R 19 400	R 19 400
Other Members	R 9 800	R 9 800

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 R 2 600 per hour across the board, with a maximum cap of 6 hours. The R 2 600 is based on the current fixed fee per meeting, for an ordinary Board member, of R 15 700, divided by 6 hours (and rounded off to R 2 600).

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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