

**MINUTES OF THE ANNUAL GENERAL MEETING OF MEMBERS OF THE
LA HEALTH MEDICAL SCHEME HELD AT THE CENTURY CITY
CLUBHOUSE, 3 PARK LANE, GRAND CENTRAL, CENTURY CITY ON
WEDNESDAY, 20 JUNE 2012 AT 10H00**

PRESENT:

(i) LA Health Board of Trustees

Mr. G.J. Beukman	(Chairperson)
Mr. H.A. Deysel	(Deputy Chairperson)
Mr. R. Barnard	
Mr. R. Bosman	
Mr. D.L. Carstens	
Mr. R. Denge	
Mr. R. de Bruyn	
Mr. F. Hoffman	
Mr. S.A. Kaunda	
Mr. A. Lemmer	
Mr. M.E. Mattheus	
Mr. M.C.T. Schultz	
Ms. L. Sibiya	

(ii) LA Health Audit Committee

Mr. A. Vorster	(Chairperson)
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(iii) LA Health Executive Management and Staff

Mr. A.M. de Koker	(Principal Officer)
Mr. L. Schröner	(Marketing and Operations Manager)
Ms. R. du Toit	(Personal Assistant to Principal Officer)

(iv) LA Health Consultants/Technical Advisors

Ms. M. Fouché	(KPMG – External Auditor)
Mr. B. Botha	(Legal Adviser)

(vi) Representatives of the Administrator (Discovery Health)

Mr. S.A. Johnston	(General Manager: In-House)
Ms. D. du Toit	(Deputy General Manager: In-House)
Mr. K. Malefane	(Deputy General Manager)

(vii) Members

A total of 31 members and 14 observers attended the meeting as per the attendance register.

(viii) Apologies

Mr. A. Bennett	(Trustee)
Mr. R. Field	(Trustee)
Mr. E. Bruwer	(Member)
Mr. G.J.W. Mellet	(Member)

AGENDA

1. WELCOME

The Chairperson of the Board of Trustees welcomed all in attendance and declared the meeting properly constituted since a quorum was in attendance.

(Proceedings commenced with a MOMENT of REFLECTION observed by all).

2. NOTICE OF THE ANNUAL GENERAL MEETING

The notice convening the Annual General Meeting was taken as read.

3. MINUTES AGM 2011

The Chairperson of the Board of Trustees called for a proposer and a seconder for the adoption of the Minutes of the 2011 Annual General Meeting as a true reflection of the relevant proceedings.

Proposer: Mr. M.C.T. Schultz

Seconder: Mr. S. Kaunda

Resolved: That the minutes of the LA Health Medical Scheme Annual General Meeting 2011, held on 22 June 2011, be **CONFIRMED.**

4. Chairperson's Introduction

The Chairperson of the Board of Trustees addressed the meeting as follows:

"Ladies and Gentlemen

A warm welcome to all our members, our Board of Trustees, our Principal Officer and Staff, our Legal Advisor, our Administrator's staff as well as our External Auditors, KPMG Inc.

I would also like to welcome the following observers to this AGM:

- Sibonelo Cele: Snr Investigator: Compliance and Investigations: Council for Medical Schemes
- Simon Harris – Team Leader LA Health Call Centre
- Imraan Munga – Team Leader LA Health Call Centre
- Odwa Mazwi – LA Health Corporate Health Manager

LA Health continues to be well managed and once again finds itself at the end of another year in a strong and healthy financial position. The Scheme's Audited Financial Statements and Auditor's Report for the year ended 31 December 2011, which will be presented to you later today, provides evidence thereof.

At this juncture it is my privilege to announce that the Board of Trustees had re-appointed KPMG Inc. as the Scheme's external auditors for the 2012 financial year.

It is a matter for the record to confirm that LA Health has consistently proven to its membership over the years that it is committed to the principles and practice of fairness, openness, integrity and accountability in all its dealings with its stakeholders. The Scheme also remains committed to good Corporate Governance and principles. In this regard I wish to remind you:

- That I had reported to the 2011 AGM that the Board of Trustees had adopted the governance principles of the King III and that it had successfully addressed specific areas identified through a King III gap analysis.

Although King III is not legislation, and therefore not mandatory, further initiatives have subsequently been developed and/or adopted, which includes:

- Combined Assurance Reporting,
- Ethics Management and
- IT Governance.

The Board of Trustees also adopted a Risk Management Strategy and Policy – the key objective of this policy is to ensure high-quality management of risk exposure, appropriate to the nature and level of the risk faced by the Scheme.

Over and above the foregoing, the Board of Trustees also annually conducts a Strategy Conference to revise the overall strategic plan for the Scheme, taking into account changes in the environment as well as new risks and industry challenges facing the Scheme.

At this point I would like to share with you the outcome of the Board of Trustees elections for 2012. LA Health Medical Scheme is one of few medical schemes in the industry that follows a total democratic process, overseen by an Independent Auditor, to allow each member the opportunity to nominate and vote for candidates to represent them on the Board of Trustees, via postal ballot.

It is with regret that we have to say goodbye to two existing trustees, namely, Lindiwe Sibiyi and Sipho Kaunda, who made themselves available for re-election, but unfortunately were not successful.

I would like to take this opportunity to thank them for their commitment and dedication during their term of office and they will be sorely missed. We wish them all the best for the future.

I would like to congratulate and thank the following trustees which made themselves available for re-election and were successful:

- Danie Carstens (Drakenstein Municipality)
- Rudy de Bruyn (IMATU)
- Reuben Denge (City of JHB)

A hearty welcome to the following newly elected trustees who will take office from 1 July 2012:

- Pieter Louwrens (City of JHB)
- Imelda Seymour (City of Cape Town)
- Arno Vorster (City of Cape Town)

The outcome of the election demonstrates that the current democratic process allows for continuity as well as for new expertise and experience to be included in the Board of Trustees structure.

The full Board of Trustees to serve for the period 1 July 2012 to 30 June 2015 is as follows:

- Alan Bennett
- Riaan Barnard
- Gawie Beukman
- Rudi Bosman
- Danie Carstens
- Rudy de Bruyn
- Reuben Denge
- Tokkie Deysel
- Ron Field
- Fred Hoffman
- Andre Lemmer
- Pieter Louwrens
- Marius Mattheus
- Michael Schultz
- Imelda Seymour
- Arno Vorster

In conclusion, I would like to pay tribute to the Deputy Chairperson of the Board of Trustees, Tokkie Deysel, for his support and encouragement throughout, as well as to my fellow Trustees, the Scheme's Management Team and staff, the Administrator and staff, the Legal Adviser, the Scheme's Actuaries, External Auditors and other Advisers for their sterling work always in the best interest of the Scheme and its membership."

The Chairperson of the Board of Trustees thereafter introduced the Chairpersons of the following Committees/Task Team:

Mr. A. Lemmer, Deputy Chairperson: Finance Committee:

Mr. Lemmer informed the meeting that Mr. A. Bennett, Chairperson of the Finance Committee, was unable to be in attendance and that he had tendered an apology.

Mr. Lemmer pointed out that it was a legal requirement to annually submit audited financial statements to the Registrar of Medical Schemes.

He also reminded the meeting that audited financial statements must, inter alia, indicate the solvency level, whether each benefit option was self-supporting and whether the investments were made in accordance with the relevant regulations.

Mr. Lemmer confirmed that the external auditors had certified that the financial statements fairly reflected the financial position of the Scheme. To have reached this conclusion they had satisfied themselves that the record-keeping of all financial transactions had been done satisfactorily. To this end reliance was placed on work done by the internal audit function of Discovery Health. They, in turn, had submitted regular reports to the Audit Committee of the Scheme.

Mr. Lemmer gave the assurance that processes are in place to be able to provide an assurance that reliance can be placed on the financial statements which are before the Annual General Meeting.

Mr Lemmer thereafter delivered a presentation and the main points highlighted are as follows:

- *Summary of Financial Performance*

The Scheme ended the year with a surplus of just over R64.7 million.

- *Cash position*

The Scheme's cash position increased from R348 million in 2010 to R428 million in 2011 – a 23% improvement.

- *Members Funds*

This continued to show an increasing trend with funds amounting to R341 million at the end of the financial year.

- *Scheme Solvency*

The Scheme's solvency ratio had been maintained above the 25% level required by the Registrar and stood at 28.63% at year end.

- *Non-Compliance: LA Comprehensive option*

Operating deficits are common on comprehensive options in the industry. The LA Comprehensive option performed relatively well, compared to the other comprehensive options in the market. Operating deficits reduced over the period 2008 – 2010 and further improved during 2011 to a loss of R122 per beneficiary per month.

- *LA Core option*

The LA Core option is the Scheme's second largest option, but is shrinking. This Option had over the years been a negative contributor to risk equalisation. There will however always be an element of volatility in an option of this nature; albeit it had shown an exceptional surplus for 2011 – R155 per beneficiary per month.

- *LA Active option*

The Scheme is aware that the Active option is the main contributor to the Scheme's surplus. The Scheme is also aware that the operating surplus per member is reducing over time in this Option. The ability of the LA Active option to contribute to equalisation of risk between the other benefits options is reducing. This is being closely monitored.

- *LA Focus option*

This is the Scheme's smallest option. It is a strong performer with a growing membership and has a good age profile. The operating surplus increased to R 45 per beneficiary per month for this Option.

- *LA KeyPlus option*

Operating deficits are common on low-income plans. The LA Keyplus option maintained a strong performance during 2010 and 2011, not following the market trend. This Option's operating surplus for 2011 was R37 per beneficiary per month.

- *Cost Containment*

The Scheme's non-healthcare costs have been well managed. The average inflation rate over the period 2006 to 2011 was 7%. Taking this into account, the non-healthcare cost should have been R187 per beneficiary per month in 2011. The Scheme had however managed to keep these costs down to well below this level at R140 per beneficiary per month.

Mr. M. Mattheus, Chairperson of the Marketing Committee:

Mr. Mattheus informed the meeting that:

- The Scheme had grown by almost 7,000 members since the last Annual General Meeting;
- LA Health was officially the second largest Scheme in Local Government and was moving towards becoming the biggest;
- There had been no reduction in Benefits in 2012;
- The Scheme had introduced a low contribution increase for 2012 (of the lowest in the Industry); and
- The Product and Pricing Task Team was currently fine-tuning the proposed benefits for 2013.

Mr. Mattheus delivered a presentation and the main points highlighted are as follows

- *Principal members*

The SALGBC had published membership figures after the 2010 accreditation process, which indicated that:

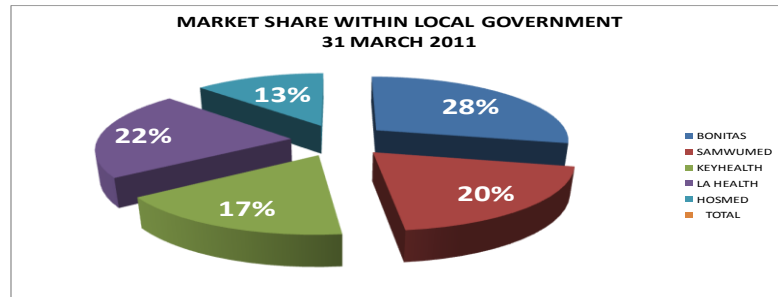
- (i) In 2009 LA Health was the second smallest medical scheme in local government;
- (ii) LA Health had grown to the second largest medical scheme by 31 March 2011; and
- (iii) As at 31 March 2012, LA Health had a total of 40,876 principal members;

- *Percentage growth*

- (i) The statistics have revealed that there had been a 5% year-on-year growth in uncovered lives in the local government sector.
- (ii) The Scheme had been extremely successful in attracting the previous uninsured local government employees.

- *Market share*

The Scheme's market share had increased according to the 2010 statistics published by the SALGBC. The Scheme's market share as at 31 March 2011 is illustrated in the graph hereunder:



- *Membership profile and Scheme solvency*

- The phenomenal growth in membership had a positive effect of lowering the overall age profile of the Scheme;
- LA Health by no means had been hampered financially by this growth – the solvency was still above the prescribed 25%; and
- The LA Health Brokers and all involved for helping the Scheme to achieve this phenomenal growth in membership deserved the Scheme's grateful appreciation.

- *Social responsibility*

LA Health had been able to raise R 76,000 at its annual charity golf day held in February 2012. Three different charities benefitted from this initiative as per the information provided in the Notice to the Annual General Meeting.

Mr. Mattheus expressed sincere appreciation, on behalf of the Marketing Committee to:

- the Board of Trustees and the Scheme's Administrator, Discovery, for their unwavering support;
- the Management and Staff of LA Health for their support; and
- the LA Health members for their loyalty to LA Health.

Mr. H.A. Deysel, Chairman of the Product and Pricing Task Team:

Mr. Deysel paid tribute to the Chairperson of the Board of Trustees for his leadership, stewardship and ongoing personal support.

Mr. Deysel introduced the members of the Product and Pricing Task Team to the meeting and thereafter informed the meeting that the activities of the Task Team commences in February of each year and considers motions from the previous AGM together with input from various sources, including the:

- Executive Management of the Scheme;
- Scheme Actuaries;
- Administrator; and
- Clinical Risk Management Team.

During the budgetary process:

- Proposals are made to the Marketing Committee concerning possible changes to the product design;
- Proposals are made to the Finance Committee about the pricing of the products for the following year; and
- A final proposal is made to the Board of Trustees to consider recommendations from the Finance Committee in finalising budget and Rule changes that will be applicable to a following year. This process concluded during August annually.

In conclusion, Mr. Deysel confirmed that in formulating its proposals for the benefits and contribution changes, the Product and Pricing Task Team is mindful of the following guiding principles adopted by the Board of Trustees:

- The Scheme must maintain a solvency level in excess of 25%;
- The reduction of risk-equilisation between options;
- Any changes to products must make the Scheme more competitive; and
- Achieving rapid growth in membership without jeopardising the future well-being of the Scheme.

The reports from the various Chairpersons were well received and all attendees extended a warm round of applause.

5. SUMMARISED AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

Mr Lemmer conveyed his thanks and appreciation to the Principal Officer and the Administrator for the tremendous effort in ensuring the timeous production of the 2011 Annual Financial Statements, which were of exceptional quality. He also expressed the Trustees' appreciation to Discovery Group Internal Audit and the Scheme's External Auditor, KPMG Inc., for their efforts in ensuring that all the deadlines were achieved.

The Principal Officer responded to a number of questions raised from the floor.

The Chairperson of the Board of Trustees called for a proposer and a seconder for the adoption of the Summarised Audited Annual Financial Statements for the year ended 31 December 2011.

Proposer: Mr. M.C.T Schultz

Seconder: Mr. R. de Bruyn

Resolved: That the Summarised Audited Annual Financial Statements for the year ended 31 December 2011, be **ACCEPTED**.

6. BOARD OF TRUSTEES ANNUAL REPORT AS PROVIDED FOR IN SECTION 37(1) OF THE MEDICAL SCHEMES ACT

The Chairperson of the Board of Trustees called for a proposer and a seconder for the adoption of the Board of Trustees Annual Report.

Proposer: Mr. D. Carstens

Seconder: Mr. A. Vorster

Resolved: That the Annual Report of the Board of Trustees, be **ACCEPTED.**

7. NOTICES OF MOTION

The Principal Officer tabled the following motions received compliant with Rule 26.1.5 of the Rules of the Scheme:

"1. Mosie: Mnr. C.J. Theron: Lidmaatskap-nommer 157191980

Dat die LA Active en LA Focus Opsie-voordele gewysig word om voorsiening te maak dat die volle koste ten opsigte van endoskopiese-prosedures uit die Groot Mediese Uitgawes-voordele gedek word.

Motivering:

1. By opname in die hospitaal vir sekere prosedures, soos byvoorbeeld 'n kolonoskopie, is die eerste R 1,800.00 van die koste van die prosedure vanuit die lid se Mediese Spaarrekening betaalbaar.
2. Pensioenarisse en indiens-lede in die laer inkomste kategorie ondervind probleme om hierdie bedrag uit hul sak by te bring, veral wanneer hul Mediese Spaarrekenings uitgeput is.
3. Sou 'n prosedure weens die gebrek aan fondse uitgestel word, kan dit daartoe lei dat 'n siektetoestand nie geïdentifiseer word nie. Dit sal verder daartoe lei dat met verloop van tyd die Skema groter uitgawes in die gesig sal staar weens komplikasies wat vroeër geïdentifiseer kon word deur middel van 'n endoskopiese prosedure.
4. By opname in die hospitaal word daar van die pasiënte vereis om die bedrag van R 1,800.00 vooraf te betaal en word hulle ingelig om hierdie bedrag van die Skema terug te eis, indien daar fondse in hul Mediese Spaarrekening beskikbaar is.

Motion: Mr. C.J. Theron: Membership Number 157191980

That the LA Active and LA Focus Option benefits be amended to provide for the costs of endoscopic procedures to be covered in full from the Major Medical Benefit.

Motivation:

1. During admission for certain procedures, such as a colonoscopy, the first R 1,800.00 of the cost of such procedure is payable from the member's Medical Savings Account.
2. Pensioners and in-service members in the lower income categories find it difficult to pay such amount from their pockets, especially when the funds in their Medical Savings Accounts have been exhausted.
3. The postponement of a procedure due to the lack of funding could over time lead to increased costs for the Scheme due to complications, which could have been detected earlier through an endoscopic procedure.
4. During admission it is required from patients to pay the amount of R 1,800.00 upfront and they are informed to claim such amount back from the Scheme, should they have sufficient funds in their Medical Savings Accounts.

2. Mosie: Mnr. J. van der Merwe: Lidmaatskap-nommer 157138110

Dat LA Health 'n ondersoek loods na die potensiele risiko gekoppel aan werkgewers wat nie ledegelde aan die Skema oorbetaal nie en dat lede/pensionarisse deur die Skema oor nie-betalende werkgewers ingelig word, asook lede/pensioenarisse bystand verleen oor hoe om hierdie risiko te bestuur.

Verder, dat die Skema die lede/pensioenarisse rondom die statutêre en kontraktuele verpligtinge en/of die Reëls van die Skema inlig, in terme waarvan die werkgewer verplig word om ledegelde binne die voorgeskrewe tydspanne aan die Skema oor te betaal.

Motivering:

1. Die Pensioenfondse-administrasies verhaal die lid se gedeelte van ledegelde van die lid se maandelikse pensioen en betaal die aan die voormalige werkgewers oor. Die werkgewers word vereis om die totale premies aan Mediese Skemas oor te betaal nadat die werkgewer subsidie-bedrae bygevoeg is.
2. Sou werkgewers versuim om die totale premies oor te betaal kan dit daartoe lei dat lede hul mediese skema-dekking verloor of ten opsigte van die nie-betaling benadeel word, nieëensteinstande die feit dat hul totale ledegelde afgetrek en aan die werkgewer oorbetaal is.

Motion: Mr. J. Van der Merwe: Membership Number 157138110

That LA Health investigate the potential risk associated with employers not paying membership fees over to the Scheme and that the Scheme inform members/pensioners of the non-paying employers and also assist members/pensioners in managing this risk.

The Scheme is further requested to inform members/pensioners of the statutory or contractual obligation in terms of legislation and/or Rules of the Scheme for the employer to make these payments within the prescribed time period.

Motivation:

1. Pension administrations deduct member contributions from the monthly pensions and then pay over to the former employers. Employers are obliged to pay over total premiums to the medical scheme after adding the employer portion of post medical aid retirement contributions to the medical scheme.
2. If employers do not pay over contributions, members will lose their medical scheme benefits or may be prejudiced through non-payment, whilst their full contributions were deducted and paid to the employer. ”

Resolved unanimously:

That the above-mentioned motions be **ADOPTED** and be referred to the Board of Trustees for consideration and resolution.

THE MEETING CONCLUDED AT 11h00

CHAIRPERSON

DATE