

MINUTES OF THE VIRTUAL ANNUAL GENERAL MEETING OF MEMBERS OF LA HEALTH MEDICAL SCHEME HELD ON WEDNESDAY, 11 AUGUST 2021

PRESENT:

- (i) 107 Members, 5 Observers (Guests), 1 Scheme official / 4 Administrator officials / 1 Chairperson Audit Committee who are not members of the Scheme and 1 CMS representative as per the Attendance Register.
- (ii) **Apologies**

Ms. W. G. van Ek (Member Number 156301300)

NOTE: The order of the Agenda was rearranged prior to the Annual General Meeting, due to the virtual format of the meeting and also to facilitate an easy flow of the meeting procedures and discussions. An Errata Agenda was issued electronically prior to the meeting to all persons in attendance.

AGENDA

1. WELCOME

The Chairperson of the Board of Trustees welcomed all in attendance, and conveyed a special word of welcome to Mr. M. Maswanganyi, Senior Investigator: Compliance & Investigations from the Council for Medical Schemes, who was in attendance as an Observer.

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

2. MINUTES AGM 2020

The Minutes of the 2020 Annual General Meeting, which had been available on the Scheme's website, were also issued electronically to all in attendance prior to the meeting.

The following amendment was proposed:

Page 4, Item 2 (c) - in the first line of paragraph (vii), delete the words "R 2.1 million" and replace them with the words "R 2.1 billion".

The Chairperson of the Board of Trustees called for a proposer and a seconder for the adoption of the Minutes of the 2020 Annual General Meeting as a true reflection of the relevant proceedings, subject to the proposed amendment being made.

Proposer: Ms. N. Nobatana
Secunder: Mr. R. Field

Resolved: That, subject to the above-mentioned amendment being made, the Minutes of the LA Health Medical Scheme Annual General Meeting, held on 26 November 2020, be **CONFIRMED**.

At this juncture, the Chairperson of the Board of Trustees called on the Principal Officer, Mr. A.M. de Koker, to address the meeting and also to deal with Item 3. Annual Financial Statements and Auditor's Report for the year ended 31 December 2020, Item 3a. Trustee Remuneration and Item 4. Board of Trustees' Annual Report (as per Section 37 (1) of the Medical Schemes Act, 1998.

The Principal Officer delivered a PowerPoint presentation and highlighted the following:

(a) COVID-19

- (i) LA Health's COVID-19 experience as at 2 August 2021 stood at 19,590 confirmed cases (17,619 recovered), with 91,598 tests conducted – 4,940 admissions, 660 deaths and 15,640 vaccinations;
- (ii) The future cost of the pandemic to the medical schemes industry is still uncertain;
- (iii) The Scheme experienced a significant reduction in other claims cost for the Scheme, due to:
 - fewer hospitalisation cases (elective surgeries); and
 - decline in other medical services, except chronic medication;
- (iv) Going forward a pent up demand can be expected due to postponed elective surgeries, to be funded from Scheme reserves above the 25% threshold; and
- (v) The claims experience will have a positive impact on the 2022 contribution increases.

NOTED

(b) Membership:

- (i) As at 31 December 2020 LA Health's membership stood at 89,041 principal members;
- (ii) LA Health continued to experience exceptionally strong growth and at 30 June 2021 the Scheme's membership stood at 91,763 principal members;
- (iii) The number of LA Health beneficiaries as at 30 June 2021 stood at 231,549;

- (iv) LA Health has maintained consistent membership growth, and
- (v) LA Health had retained its position as the largest medical scheme in local government with 41% market share, 15% more than its closest competitor.

NOTED

(b) Financial Performance

- (i) NMG's LA Health Medical Scheme Key Statistics Report 2019, showed that LA Health generated a surplus of 3.5% of risk contributions before investment income. Other medical schemes operating in the local government sector generated a deficit before investment income of 1.5%;
- (ii) LA Health's solvency ratio has showed an upward trend over the period 2005 to 2020, consistently above the mandatory 25% margin, despite experiencing exceptional membership growth over the same period;
- (iii) Based on the 2018/2019 Alexander Forbes Top 20 Medical Schemes Sustainable Index, LA Health was rated the most sustainable medical scheme for 2018;
- (iv) The Scheme's net contribution income increased from R3.4 billion in 2019 to R3,9 billion in 2020;
- (v) The Scheme's healthcare expenditure increased from R2,8 billion in 2019 to R2,9 billion in 2020;
- (vi) The Scheme's non-healthcare expenditure increased from R415 million in 2019 to R465 million in 2020. This increase in expenditure is linked to membership growth;
- (vii) Other income is mainly interest on investments, which decreased from R146 million in 2019 to R140 million in 2020 due to lower interest rates; and
- (viii) The Scheme ended the year with a surplus of more than R591 million.

Resolved:

- (1) That the summary of the Scheme's financial performance for the year ended 31 December 2020, set out above, offered by the Principal Officer be **NOTED**.
- (2) That the Audited Financial Statements and Audited Auditor's Report for the year ended 31 December 2020 be **NOTED**.

- (3) That the Board of Trustees Annual Report as provided for in Section 37 (1) of the Medical Schemes Act be **NOTED**.

(c) Trustee Remuneration

- (i) Out of 76 registered medical schemes in 2019, LA Health was the 9th largest medical scheme in the industry, based on principal members;
- (ii) Out of 20 medical schemes, LA Health's average cost for Trustees was rated 19th out of the top 20 medical scheme's average cost per Trustee reported on in the Council for Medical Schemes Annual Report for 2019/2020;
- (iii) LA Health's Trustee reimbursements and remuneration is disclosed on an annual basis in the Annual Financial Statements which are put before the Annual General Meeting. Refer to Note 22 by means of an example. Members have the opportunity here to raise their objections or questions for clarity;
- (iv) The Trustee Reimbursements and Remuneration Policy, pursuant to independent expert advice, was previously approved by the AGM;
- (v) The Trustees' maximum monthly retainer is increased annually with CPI+2% in accordance with such policy;
- (vi) The Board of Trustees undertakes an independent market evaluation on a regular basis to determine whether the Scheme's Trustees Remuneration paid remains commensurate their role and fiduciary responsibilities and not out of line with such remuneration paid by comparable medical schemes in the industry;
- (vii) Trustees are reimbursed on actual costs incurred; and
- (viii) No meeting allowances are paid to Trustees.

Resolved: That the above-mentioned summary of the processes followed by Scheme in relation to the payment of Trustee Remuneration, pursuant to the Scheme's Trustee Reimbursements and Remuneration Policy previously approved by the AGM, be **NOTED**.

(d) Health Funders Association (HFA), National Health Insurance (NHI) and Health Market Inquiry (HMI)

The Principal Officer provided a brief overview of the important work being done by HFA on behalf of its members, as well as the latest position in relation to the NHI and HMI.

NOTED

At this stage of the meeting, the Chairperson of the Board of Trustees, the Principal Officer and a representative from the Administrator replied to various questions posted on the electronic platform by members. The questions requiring specific further research will be responded to outside of the Annual General Meeting by the Principal Officer and the Administrator, where applicable.

5. **Announcement of re-appointment of the Scheme's external auditors**

The Chairperson of the Board of Trustees announced that the Board of Trustees on 29 November 2018 adopted a recommendation from the Audit Committee that KPMG be awarded the tender for LA Health's external auditors for the financial period 1 January 2019 to 31 December 2021.

NOTED

6. **Introduction of the Chairperson's Report**

The Chairperson of the Board of Trustees reminded the meeting that the Chairperson's Report for 2020 formed part of the Notice Convening the Annual General Meeting.

The Chairperson's Report was **taken as read**.

Resolved: That the Chairperson's Report: 2020 be **NOTED**.

7. **2021 Trustee Election Results**

The Annual General Meeting **NOTED** that the following Trustees were elected by the members for an ensuing 6 year term of office, commencing 1 July 2021:

- Riaan Barnard
- Herman Botha
- Rudy de Bruyn
- Cathi Nel
- Ntombifuthi Maria Chidi (new Trustee)
- Charles Leonard Mavuso (new Trustee)
- Siphon Mabunda (new Trustee)
- Siyanda Yamba (new Trustee)

In reply to a question from Member A. P. Pretorius, the Chairperson of the Board of Trustees confirmed that the Board of Trustees is aware that the Council for Medical Schemes is investigating an issue relating the Scheme's 2021 Trustee Election, as published in a recent Sunday Times Article, and is awaiting the outcome thereof.

8. Consideration

8.1 Notices of Motion for referral to the Board of Trustees for final decision

The Chairperson of the Board of Trustees announced that no valid motions had been received.

8.2 Proposed Rule Amendments

As requested by the Chairperson of the Board of Trustees, the Principal Officer confirmed that the report, dated 27 July 2021, from the Board of Trustees in relation to its Rule amendment proposals to address the issue of transformation/composition of the Board of Trustees/King IV Principle 7 had been issued electronically to all attendees prior to the Annual General Meeting.

DISCUSSION ENSUED

It was **AGREED** that the recommendations from the Board of Trustees be fully supported and that the Scheme's Rules 17.1 and 17.2 be amended to read as follows:

"17. GOVERNANCE: MANAGEMENT OF LA HEALTH

17.1 Composition of the Board of Trustees

The Scheme shall be managed in accordance with these rules by a Board of Trustees consisting of a maximum of sixteen (16) trustees who are fit and proper to be Trustees constituted as follows, provided that a minimum of ten (10) trustees shall constitute the Board at any given time:

17.1.1 Ten (10) persons who are members of the Scheme, nominated and elected by members of the Scheme.

17.1.2 Six (6) persons appointed by the Board of Trustees to address knowledge, skills, experience, diversity and independence.

17.2 Term of Office

17.2.1 All Trustees shall, unless they become disqualified to serve as Trustees in terms of these Rules, serve for a period of six (6) years with effect from 1 July of the year in which an election is to be held, notwithstanding the date of election.

17.2.2 The retiring Trustees shall be eligible for re-election provided that no person shall serve more than two (2) consecutive terms, and no more than three (3) terms altogether.

17.2.3 Trustees referred to in Rules 17.1.1 must be elected in accordance with Rule 17.3."

Proposer: Mr. D. Maharaj
Seconder: Mr. R. Field

This Rule amendment proposal was put to the vote and the result was as follows:

- 29 For
- 2 Against
- 6 Abstained

This proposal was accordingly declared as carried.

Resolved: That the amended Rules 17.1 and 17.2, as set out above, be referred to the Board of Trustees for finalisation and registration.

In conclusion, the Chairperson of the Board of Trustees paid tribute to the Deputy Chairperson of the Board of Trustees, Mr. H.A. Deysel, for his support and encouragement throughout, as well as to his fellow Trustees, the Scheme's Management and Staff, the Scheme's Audit Committee, the Administrator and Staff, the Scheme's Actuaries and other Advisors for their sterling work always in the best interest of the Scheme and its membership.

Mr. H.A. Deysel, Deputy Chairperson of the Board of Trustees offered reciprocal appreciation to the Chairperson of the Board of Trustees for his stewardship.

THE MEETING CONCLUDED AT 14h55

CHAIRPERSON

DATE