Bankmed
*Yours in good health*

BANKMED

# AGM 2024

## NOTICE OF THE ANNUAL GENERAL MEETING TO BE HELD ON 27 JUNE 2024

Includes the 2023 Summarised Financial Statements

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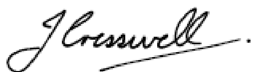
# Notice of the Annual General Meeting of Bankmed

Notice is hereby given that the 110th Annual General Meeting of Bankmed will be held virtually on Thursday, 27 June 2024 at 16:00.

## Agenda

1. To read the notice convening the meeting
2. To approve the minutes of the 109th virtual Annual General Meeting held on Thursday, 22 June 2023
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 2023
5. To note the Bankmed Trustee Fee Policy, and approve the proposed Trustee Fee increase for 2024/2025
6. To appoint the auditor for the ensuing year
7. To transact any other business of which notice was given by 30 April 2024
8. Announcement of the newly-elected members of the Board of Trustees
9. Closure

By order of the Board



J CRESSWELL
Chairperson

# Minutes of the 109th Annual General Meeting of Bankmed

**Date and time:** Thursday, 22 June 2023 at 16h00

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

**Attendees:**

| | | |
|---|---|---|
| **Bankmed Board of Trustees:** | Mr J Cresswell | Chairman |
| | Mr D Bolt | Vice-Chairman |
| | Mr D Armstrong | |
| | Mr G Betela | |
| | Mr R Gush | |
| | Mr W Mac Farlane | |
| | Ms D Mantle | |
| | Ms S Moodley | |
| | Ms L Nkosi | |
| | Ms G Noemdoe | |
| | Dr L Rametsi | |
| | Mr EA Schaffrath | |
| **Bankmed Audit Committee:** | Ms F Petersen-Cook | Independent Chairperson |
| **Officials in Attendance:** | Mr T Mosomothane | Principal Officer |
| | Dr N Naidoo | Clinical and Operations Executive |
| | Mr N Coghlan | Finance and Risk Executive |
| | Ms M Bam | Head: Client Management |
| | Ms N Schubach | Head: Communications |
| | Mr J van der Walt | Senior Manager: Client Management |
| **Bankmed Members:** | 86 Principal Members | |
| **Observers:** | 19 Non-voting attendees | |

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## Items Minuted

| 1. OPENING, WELCOME AND ATTENDANCE | ACTION |
|---|---|

The Chairman, Mr J Cresswell, welcomed all present to the 109th Annual General Meeting ("AGM") of Bankmed ("the Scheme"). He thanked and welcomed Ms Keaorata Gadinabokao, from the Council for Medical Schemes ("CMS"), for attending the meeting.

In terms of Rule 28.4 of the Bankmed Scheme Rules, 30 members must be present at the AGM for the meeting to be deemed quorate. The Chairman confirmed that more than 30 Principal Members were present at 16:00, constituting a quorum.

The Chairman advised that Bankmed would be assisted by the Scheme's Independent Electoral Body (IEB), namely BDO Advisory Services (Pty) Ltd ("BDO"), during the proceedings.

The Chairman informed attendees that the Scheme Management panel ("the panel") would not attend to claims or benefit queries at the meeting. Client Relationship Managers from Discovery Health would typically be available for member queries. However, this was not possible due to the AGM being held virtually. Members were requested to contact the Bankmed call centre at 0800 BANKMED (0800 226 5633) or email enquiries@bankmed.co.za.

The Chairman informed attendees of the Virtual AGM ("VAGM") House Rules:

- Any questions or comments must be submitted via the Q&A Chat function. All submissions would first be moderated before being published to the live event;
- Attendees must submit any questions to the presenters by clicking on the "Chat" button on the left of the AGM screen on the "Access the VAGM" page. Questions raised, to the extent that they relate to the specific agenda items for the AGM, will be addressed at the AGM. All other general or personal questions that do not relate to the particular AGM agenda items, which should best be responded to in writing, will be addressed in writing, and the questions and responses thereto will be published within seven (7) days after the AGM;
- Attendees would not be allowed to speak during the live event;
- Voting attendees can vote on motions through the VAGM portal. Voting was open from the commencement of the AGM. Members must select the appropriate voting button on the left of the AGM screen on the "Access the VAGM" page. A pop-up window will appear to review the motions and cast votes. After voting, the pop-up must be closed;
- Once a member has submitted a vote, they cannot amend their vote or vote again.

The Chairman informed attendees that voting on the three (3) standard recommendations/ proposals was open and would close at a time that he would later make known to the attendees. He requested members to vote on the respective recommendations. The unaudited voting results would be presented to all attendees closer to the end of the meeting. He further confirmed that voting for the Board of Trustees ("BOT") was carried out before the AGM, and the results would be announced by BDO later in the afternoon before closing the AGM.

| 2. TO READ THE NOTICE CONVENING THE MEETING | ACTION |
|---|---|

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

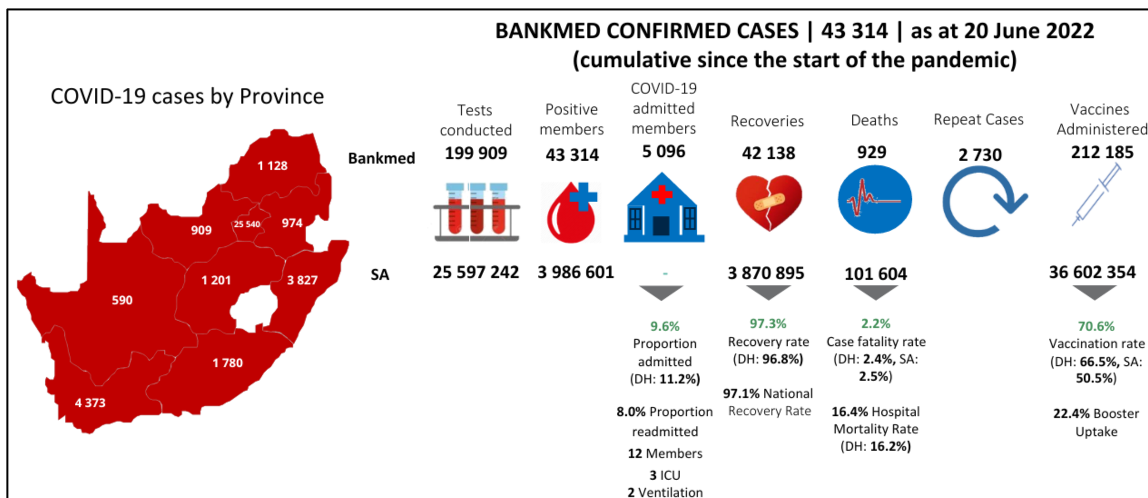
Rule 28.2.1 of the Registered Rules of Bankmed states that the Notice convening the AGM shall be sent to members at least fourteen (14) days before the meeting day.

The Chairman confirmed that Bankmed had distributed the Notice convening the AGM on 30 May 2023. Members with an email address were issued the Notice on 30 May 2023, while Bankmed sent members without an email address an SMS with a link to the website and Notice on 30 May 2023. Bankmed sent postal communication to members without an email address or cell phone number on 30 May 2023. The official AGM documentation was also made available on the Bankmed website.

## 3. MINUTES OF THE 108TH AGM HELD ON THURSDAY, 23 JUNE 2022 — ACTION

The draft minutes of the 108th AGM held on Thursday, 23 June 2022, were included in the booklet (and made available to members online) for review and approval, and were taken as read.

The Chairman highlighted an amendment to the minutes brought to the Trustee's attention after the AGM booklet was published (page iii to xv of the electronic AGM booklet). Regarding page ix of the minutes, at the bottom of the page, it was discovered that when transferring the minutes into the AGM booklet, the change from one format to another resulted in a distorted image content. The Chairman, by way of presentation, presented the corrected image reflecting the correct COVID-19 statistics, which were erroneously excluded during the formatting of the AGM booklet:




The Chairman apologised for the oversight and requested that the minutes be approved with the proviso that the image on page ix of the minutes be replaced with the correct image displayed on the screen.

The minutes were approved, to be signed by the Chairman, as a true reflection of the proceedings of the previous meeting, subject to the amendment noted. This was proposed by Mr Trevor Dell and seconded by Mr Rod Gush.

## 4. MATTERS ARISING AND GENERAL UPDATE FROM THE MINUTES OF THE 108TH AGM HELD ON THURSDAY, 23 JUNE 2022 — ACTION

The Chairman called upon the Principal Officer, Mr Teddy Mosomothane, to lead a presentation on matters arising from the prior year's minutes 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 that the following matters arising from the previous year's minutes were attended to:

| | | |
|---|---|---|
| 01 | The Principal Officer noted the question received via the chat platform where incorrect information was provided to a member. The member had indicated that a Bankmed representative had advised that benefit queries could be raised at the AGM. The Principal Officer apologised for the incorrect information provided, and undertook to have the member contacted directly to assist with their query through the correct channel. | Completed during the 2022 meeting. |
| 02 | The Chairman confirmed that all three proposals had been approved by members who had attended the meeting and voted. The results were subject to the audit and confirmation to the Scheme by BDO. The confirmation would also be published on the Scheme's website. | Completed as promised. |

1. The Principal Officer reported that the records of the previous meeting confirmed that the panel had attended to the issue during the 2022 AGM. The Principal Officer confirmed that all documents, which included the post-AGM questions and a summary of all responses to all questions raised via the chat platform, were made available on the website within seven (7) days of the previous year's AGM.
2. The audited outcome of the votes on the three (3) proposals at the previous meeting was published on the Bankmed website within seven (7) days of the 2022 AGM.

### 4.2. General Update

#### 4.2.1.Thriving since 1914

The Principal Officer highlighted that Bankmed was created for bankers by bankers, and had been thriving since 1914.

He stated that the Scheme was delivering an average of 35% better value, and a wellness programme called Balance at no cost.

Bankmed's strategic aspiration was to expand partnerships in health and wellness.

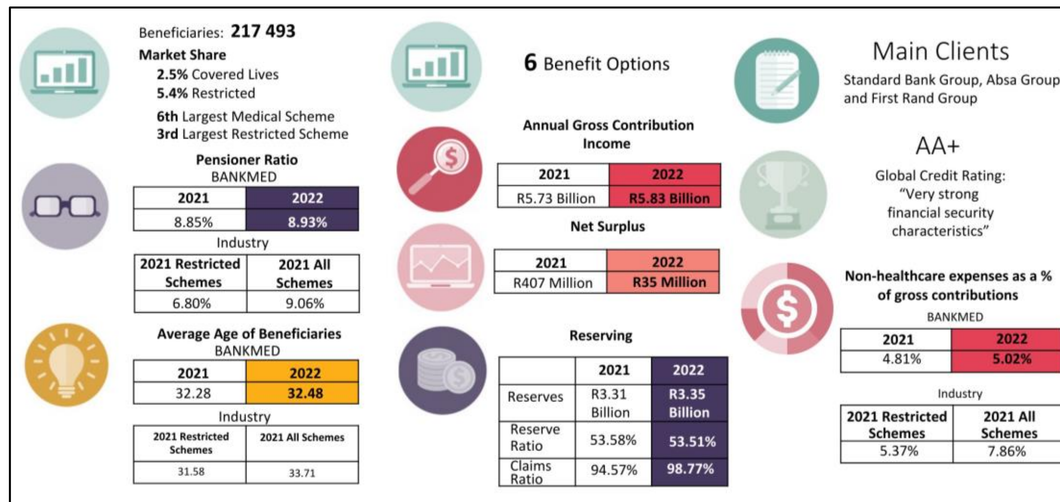
#### 4.2.2.Better Value sets Bankmed apart

The Principal Officer asserted that better value was one of the value attributes that set Bankmed apart. Based on independent actuarial analysis, he elaborated that Bankmed's richer benefits and competitive contributions gave Bankmed members approximately 35% better value than they would enjoy from an average comparable open medical scheme. He supplemented this point by referring to the Alexander Forbes ("Alexforbes") review of Bankmed's Better Value Assertion. The conclusion of the Alexforbes analysis included the following (direct extract from the Alexforbes report):

- *"Overall, the calculations and methodology applied when calculating these measures are deemed appropriate, and the 2023 relative value figures shown by NMG are deemed a reasonable reflection of the value of Bankmed's benefit offering."*

- *"The report also contains a BERICO analysis, in which Alexforbes calculated the benefit richness of each of Bankmed's options and comparable options in the open market. It was found that each of Bankmed's options offers relatively higher richness than options charging similar contribution rates or relatively lower contributions compared to options offering similar benefit richness. Bankmed's products are even more valuable for lower income groups, who can enjoy rich benefits for relatively low contributions."*

### 4.2.3.Formidable and in good health




The Principal Officer presented a high-level overview of Bankmed's profile, and highlighted a few features thereof, and compared some of them to industry indicators. He suggested that Bankmed was a formidable medical scheme, and was in good health. He reported that Bankmed had yet again retained its AA+ credit rating following the latest Global Credit Rating Agency assessment. He emphasised that Bankmed's foundation was based on partnerships with leading financial institutions and their employees.

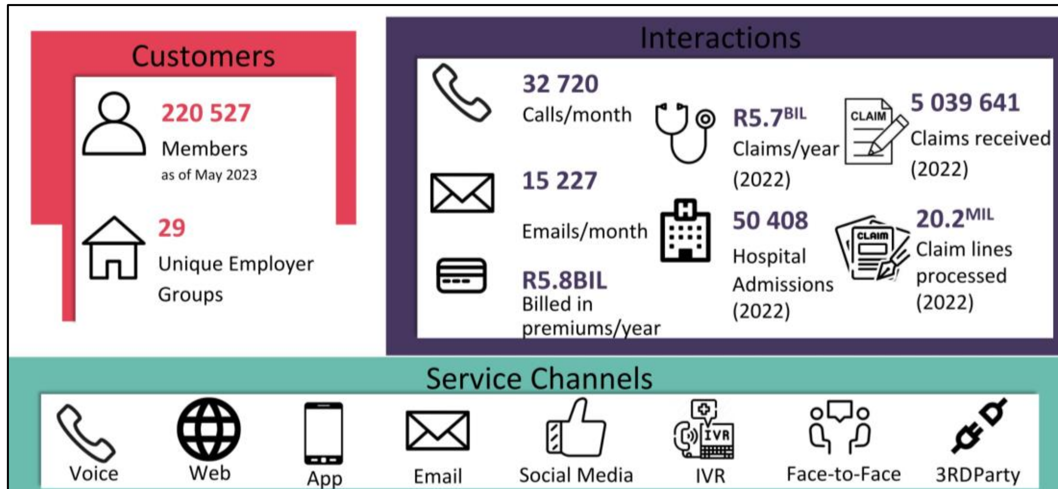
The Principal Officer drew the attendees' attention to Bankmed's claims ratio, compared to the average for restricted medical schemes. In 2021 (which was the latest year for which industry figures were available), the average claims ratio for restricted medical schemes was 91.42%. Bankmed's claims ratio was 94.57%, and this could be attributed to a combination of utilisation of the Bankmed benefits by members, and the richness of the benefits.

The Principal Officer further advised that the Bankmed Trustees had taken note of the significant increase in Bankmed's claims ratio between 2021 (94.57%) and 2022 (98.77%), which appeared to reflect (to a significant extent) a normalisation of the claims pattern post the COVID-19 pandemic. This was the main reason for the significant decrease in the net surplus, from R407 million in 2021, to R35 million in 2022. He reassured attendees that the increase in the claims ratio was no reason to be concerned because Bankmed is financially very stable, and has the benefit of being led by very astute Trustees from the banking industry.

The Principal Officer highlighted the increase in the Scheme's reserves from R3.31 billion in 2021 to R3.35 billion in 2022. The reserve ratio had decreased slightly from 53.58% in 2021 to 53.51% in 2022. He highlighted that the Bankmed reserve ratio in 2021 was higher than the average for restricted medical schemes (52.48%), and also higher than the

average for the whole industry (46.73%). He advised that the Trustees placed significant importance to monitoring the reserve ratio, in a manner that is definitely not aimed at accumulating reserves, but utilising reserves in the best interests of Bankmed members, without compromising sustainability.

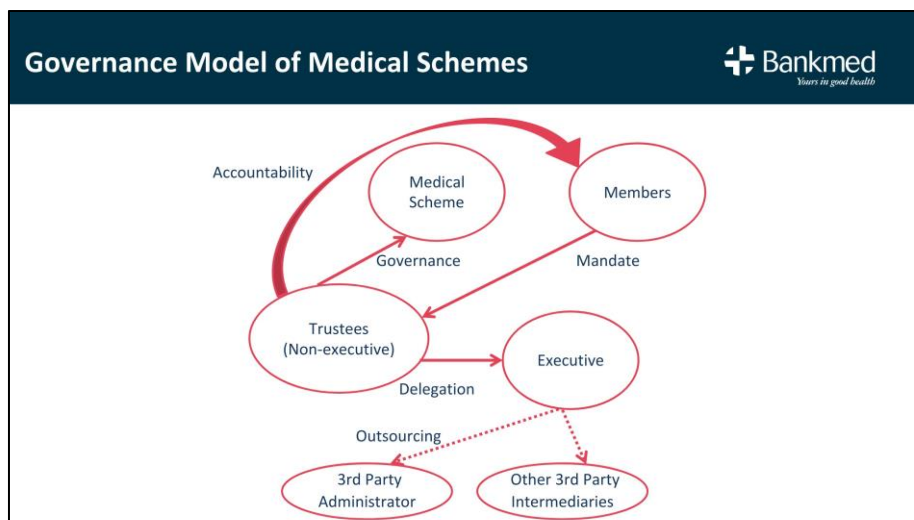
### 4.2.4.Operations and Service Environment




The Principal Officer highlighted a selection of indicators relating to the Scheme's operations and service environment. He indicated that the operations and service environment is a conduit through which Bankmed delivers value to its members, and pointed to a variety of service channels.

He informed the attendees that the Bankmed Service Team won the Regional Service Team of the Year award in 2022 and again in 2023 at the Annual Awards Event hosted by Discovery Health. He suggested that this, once again, demonstrated the administrator's responsiveness to Bankmed's expectations of high standards and the service that Bankmed believes its members deserve.

### 4.2.5.Governance Model for Medical Schemes




With reference to the Governance Model for Medical Schemes, which was attributed to the Council for Medical Schemes, the Principal Officer highlighted that the centricity of

accountability to members in the model was consistent with one of Bankmed's values – which is Member-Centricity.

#### 4.2.6. Active Participant in Industry Discussions

The Principal Officer reassured the members that Bankmed was an active participant in industry deliberations, with a view to influencing how the healthcare landscape may change, in the best interest of the members.

### 4.3. Conclusion

In conclusion, the Principal Officer expressed Bankmed's full appreciation of its clients and members, who are the reason for the Scheme's continued existence. He reiterated and confirmed that:

- Bankmed has been thriving since 1914, and will be 110 years strong next year (2024);
- Better value sets Bankmed apart, and the Scheme is keen to expand partnerships in health and wellness;
- Bankmed is a formidable medical scheme, and in good health;
- The operations and service environment supports Bankmed's commitment to best of class member experience;
- The Scheme appreciates and embraces the governance model for medical schemes;
- The Scheme is an active participant to influence how the healthcare landscape may change.

## 5. TO RECEIVE AND APPROVE THE AUDITED FINANCIAL STATEMENTS AND THE ANNUAL REPORT OF THE BOARD OF TRUSTEES FOR THE YEAR ENDED 31 DECEMBER 2022 — ACTION

The Chairman confirmed that the Summarised Financial Statements were made available to members in the AGM booklet. The complete Audited Financial Statements ("AFS") were made available to members on the Bankmed website.

The Chairman confirmed that an independent Audit Committee member chairs the Bankmed Audit Committee ("Committee"), which consists of at least four (4) independent members and two (2) Bankmed Trustees. The Committee had reported that no event or item had come to the Committee's attention indicating any material breakdown in the functioning of key internal controls and systems during the year under review.

The Chairman reported that Bankmed has three (3) sets of auditors: The Discovery Group internal auditors, who review system-related matters in the Discovery Health environment; Bankmed's internal auditors, namely BDO, who review administrative and Scheme office matters; and PricewaterhouseCoopers ("PwC"), the Scheme's appointed external auditor. The latter leverages the work done by internal auditors, carries out the work required of the external auditor, and expresses PwC's external audit opinion thereon.

The Chairman made introductory remarks on investment governance and oversight by way of a presentation. He confirmed that the investment managers report back monthly and that the Scheme's investment performance is reviewed quarterly by the Investment Committee. The Investment Committee has five (5) Trustees assigned to the Committee, and there are five (5) investment managers.

The Investment Committee meets quarterly with management for strategy and oversight. The Investment Committee meetings include the Bankmed independent Investment Advisor, Willis

Towers Watson. Furthermore, the purpose of the Investment Committee is to review the investment managers' investment performance, assess the effects of recent political and economic events, interrogate investment managers' performance, and address any other relevant issues.

The Chairman further highlighted the following portfolio limitations as a result of Regulation 30 of the Medical Schemes Act:

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

Before moving to the adoption of the audited Annual Financial Statements and the Annual Report of the BOT, 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 at the end of 2022, aligned with financial statements, and a market update at the end of April 2023. Mr Flint highlighted the different asset allocations of the investment managers. He further compared the Scheme's performance against off-the-shelf products as additional information.

Mr Flint reported that Bankmed's net investment performance as at the end of December 2022 was 6.8%, below the CPI-linked target of 10.9% and above the Stefi Composite (the short-term fixed interest index) of 5.2%. Bankmed had not met the 3-year, 5-year and 10-year CPI+3% targets. This outcome was mainly due to markets being significantly weaker than anticipated.

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

- Markets remain volatile, with geo-political tensions and inflation concerns;
- Bankmed Scheme returns remain least volatile amongst similar peers;
- The Bankmed Investment Committee continues to review the choice of asset managers available in the market;
- Costs are a constant feature, and some fee negotiations have resulted in lower asset manager fees;
- The CPI+3%/3.5% target remains a challenge, given weaker equity markets.

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

The Chairman invited the Principal Officer, who had been monitoring questions received by the panel on the chat platform, to assist with feedback to members. The Principal Officer reported that all queries had been responded to thus far by the panel.

Below is a summary of the questions raised / comments made, and responses thereto:

| # | Question/Comment | Response |
|---|---|---|
| 5.1 | Will the Scheme revert to live, in-person meetings? [C Goemans] | Virtual AGMs provide an opportunity for all Bankmed members to attend and participate annually. Reverting to in-person AGMs will result in a significant number of Bankmed members being excluded from participation due to their geographical |

| | | | |
|---|---|---|---|
| | | Bankmed members being excluded from participation due to their geographical location. Bankmed has considered this carefully, and as a result, aims to maintain the virtual AGM structure to continue to provide all members the opportunity to participate in this exceptionally important event. | |
| 5.2 | When sharing general information and stats on Bankmed membership profile, please continue sharing industry data averages, as you have done, for better context. [C Goemans] | Feedback noted, and will be taken into consideration. | PO |
| 5.3 | Consider sharing client experience metrics, Net Promoter Scores (NPS), turn-around times for dealing with claims, App utilisation and how we are improving efficiency in operations. [N I Mntungwa, seconded by R Ducasse] | Feedback noted, and will be taken into consideration. | PO |
| 5.4 | How do the asset managers view return prospects in the next 1, 3 years? [C Goemans] | Each manager has their own views. Based on current uncertainty in the domestic and global economies, the views are not expressed with any high degree of certainty. The Investment Committee, however, does interrogate this diligently. | |
| 5.5 | Why was there such a high asset churn (from the investment perspective)? [C Goemans] | The asset churn was a result of the investment decisions of the Scheme's five professional asset managers. These decisions are generally made in the interest of achieving the Scheme's investment objectives. | |
| 5.6 | When will an alternate administrator be considered? [R Ducasse] | The current cycle with the current administrator is up until the end of 2026. The Board will give due consideration to this matter closer to that year. | |
| 5.7 | Why is the contract with Discovery so long? [R Ducasse] | Bankmed initially entered into a five-year contract (from 1 January 2016) with Discovery Health. Following a thorough review process by the Board (in line with the Scheme’s Procurement Policy), towards the end of the first cycle, Discovery Health was reappointed. The current cycle is up until 2026. The Board will give due consideration to this matter closer to that year. | |

| # | Question/Comment | Response |
|---|---|---|
| 5.8 | Why is Bankmed advertising although it is a closed medical scheme? [K M Brodie] | As reported earlier, the Scheme has aspirations to grow and enhance its sustainability, within its restricted membership scope, and expand partnerships in health and wellness. Advertising allows the Scheme to be visible to other entities (and there are many banks), who are eligible to join Bankmed, and be aware of the value that Bankmed has to offer, and consider Bankmed as a partner. Growth is in the best interest of the Scheme, and creating awareness to those who are not with Bankmed will help the Scheme achieve such an objective. Brand awareness to the Scheme's current members is also in the Scheme's best interest. |
| 5.9 | Please clarify why no reference is made to the Scheme's Disputes Committee in the guide to the complaints and escalation process, and why the Disputes form is not available on the Bankmed website. [R Band] | The Bankmed Scheme Rules are made available to all members on the Bankmed website, setting out the complaints and disputes process. The complaints process is defined and communicated as required by the Council for Medical Schemes (CMS). However, Scheme Management will give due consideration to what the question also suggests, and do what is considered helpful and necessary. |

PO

The Chairman requested attendees to vote on the approval of the Audited Financial Statements and the annual report of the Board of Trustees for the year ended 31 December 2022.

## 6. TO NOTE THE BANKMED TRUSTEE FEE POLICY AND APPROVE THE PROPOSED TRUSTEE FEE INCREASE FOR 2023/2024 — ACTION

The Chairman confirmed that the AGM booklet included the Trustee Fee Policy. The total amount for trustee remuneration was disclosed in the audited summarised Annual Financial Statements in the AGM booklet, note nine (9) on page thirty-four (34) of the booklet (summarised Annual Financial Statements).

The Chairman reminded members that a 4% increase for Trustee fees was approved at the AGM meeting held on 24 June 2021 for the 2021/2022 cycle, and a 5% increase for Trustee fees was approved at the AGM meeting held on 23 June 2022 for the 2022/2023 cycle.

Bankmed received a recommendation from Remchannel (Pty) Ltd, a remuneration specialist organisation, who recommended that Bankmed provides for a 5.6% Trustee fee increase for the 2023/2024 cycle to align with the prevalent market indicators. At the BOT meeting held on 21 June 2023, the Trustees deliberated on the potential fee increase and agreed to recommend a 5% increase for the Trustees for the 2023/2024 cycle.

The Chairman requested attendees to vote on the proposed 5% increase for Trustee fees for the 2023/2024 cycle.

## 7. APPOINTMENT OF THE AUDITORS — ACTION

The Chairman invited Mr Alex Schaffrath to provide background on the recent external auditor tender process:

Mr Schaffrath informed attendees that he had been requested to head the External Audit Tender Committee for external audit services, given that the independent Chairman of Bankmed's Audit Committee had reached the end of her term and that the new Chairman of the Audit Committee's term would only become effective after the 2023 AGM. He confirmed that Bankmed had put the external audit appointment for 2023 out to tender. The Audit Committee believed it's only fair to fully disclose this process and its result before making a recommendation.
The Audit Committee was satisfied with PwC's work, but was uncomfortable with the increasing cost of the annual audit. Discussions were held with PwC regarding their fees, and PwC was not comfortable in reducing the fees sufficiently by Bankmed's standard or liking. The Audit Committee proposed to the Board of Trustees to put the 2023 audit out to tender.

Mr Schaffrath outlined the process of the tender process as follows:

Process

- 8 May 2023: Request for proposal emailed to seven (7) firms who initially indicated interest;
- 15 May 2023: Only two (2) firms attended the compulsory briefing session;
- 9 June 2023: Only one (1) firm (PwC) presented a proposal.

Result

- The External Audit Tender Committee was comfortable with the audit approach and design;
- The proposed audit fees for the 2023 year totalled R1 958 000 (incl VAT) (2022: R1 581 000);
- Additional cost for 2021 and 2022 for IFRS 17 comparatives approximately R1 171 000 (incl VAT).

The External Audit Tender Committee arrived at the position where Bankmed had no choice but to appoint PwC as there was only one firm to select from. Therefore, the recommendation was for PwC to be presented and appointed as the external auditor for 2023.

The Chairman thanked Mr Schaffrath for relaying the recommendation to the attendees.

The Chairman invited the Principal Officer, who had been monitoring questions received by the panel on the chat platform, to assist with feedback to members. The Principal Officer confirmed that the panel received queries via the chat platform. The questions were attended to as soon as received.

**Below is a summary of the questions raised or comments made, and responses thereto:**

| # | Question/Comment | Response |
|---|---|---|
| 7.1 | What is the Trustees' view on auditor rotation, since the recent decision by the Supreme Court of Appeal (SCA)? [C Goemans] | The Trustees do not have a formal view in that regard. Given that auditor rotation is about auditor independence, this is something that the Audit Committee pays careful attention to, and there are no concerns in this regard. |

| # | Question/Comment | Response |
|---|---|---|
| 7.2 | Have we gone back to SAICA on IFRS 17? [C Goemans] | No; there was no need to do so. SAICA participates in forums and structures where this matter is considered from the perspective of medical schemes. In those forums and structures, there is representation (amongst other representatives and stakeholders) from audit firms (including our auditor), and the Council for Medical Schemes. |

The Chairman requested attendees to vote on the recommendation to re-appoint PwC as Bankmed's external auditor for the 2023 annual financial audit.

## 8. TO TRANSACT ANY OTHER BUSINESS OF WHICH NOTICE WAS GIVEN BY 30 APRIL 2022 — ACTION

The Chairman called on the Principal Officer to attend to the Notices of Motions agenda item. The Principal Officer attended to this through a short presentation.

The Principal Officer reminded the audience of what constitutes a Motion as explicitly addressed in the Rules and as included in the communication submitted to members on 8 March 2023:

- Rule 4.39: a "Motion" shall mean a written proposal formally submitted to the Scheme for discussion and possible adoption as a recommendation at a general meeting of the Scheme;
- Rule 28.1.6: A motion must comply with provisos in Rules 28.3.1 and 28.3.4;
- Rule 28.3.2: A motion may not deal with matters that affect the operation of the Scheme or matters that fall outside of the ambit of the Annual General Meeting;
- Rule 28.3.3: Motions must be for the benefit of all members and/or be in the best interest of the Scheme and its members;
- Rule 28.3.4: Motions must be concise, defined, and free from ambiguity, accompanied by a detailed motivation. Should a motion be submitted without the required detailed motivation, the motion may be deemed to be invalid.

Submissions received were presented to the BOT to determine whether the proposals met the Scheme Rule requirements of a motion. The BOT reviewed the various submissions and dealt with them accordingly.

In total, 11 members responded, submitting 12 queries or suggestions. With specific reference to the provisions made in the Rules about what constitutes a motion, no submissions met these requirements; therefore, although all submissions had been responded to ahead of the AGM, none of these could be voted on at the meeting as the questions and requests referred mainly to personal claims, benefits, enhancements thereto, and benefits queries. Bankmed contacted all members personally to resolve claim and benefits queries by 31 May 2023. The Scheme subsequently compiled and distributed a document that addressed the questions members had raised before the AGM.

The Principal Officer provided a broad summary of member queries and suggestions received and the Scheme's response to these submissions by way of a presentation.

The Principal Officer referred particularly to the submission on benefit enhancements and confirmed the Scheme's process whereby requests are submitted to the Bankmed Benefit

Design Committee each year for consideration. He assured members that the Scheme considered these requests diligently and that other factors, including pricing, affordability, and sustainability, are also considered out of necessity, leading to the Scheme's decisions.

The Principal Officer further referred to requests submitted by members for a benefit option specific to pensioners. The Principal Officer reiterated that a separate benefit option for pensioners would be unaffordable if priced to match the claims. Bankmed would not be able to give the necessary assurance to the CMS and members on the sustainability of such an option. Furthermore, the Medical Schemes Act prohibits the differentiation of contributions and benefits based on age, and Bankmed could, therefore, not provide a pensioner members discount. Bankmed continues to try to find the right balance across several considerations and is sympathetic to the plight of pensioners.

## 9. VOTING ON THE STANDARD RECOMMENDATIONS/PROPOSALS — ACTION

The Chairman informed attendees that the voting platform would be closed at 17:33 for the three (3) agenda items requiring members to vote on. The Chairman confirmed that while BDO tallied the votes, the Principal Officer would provide an update on National Health Insurance (“NHI”).

The Principal Officer reminded the attendees of the position that was taken and communicated by Bankmed, following the release of the National Health Insurance Bill (“NHI Bill”) way back in August 2019. The communication to Bankmed members included the following paragraphs (direct extract from the Bankmed communication):

- *“The pursuit of Universal Health Coverage for all South Africans is desirable. We do, however, strongly believe that medical schemes should play a greater role than what is proposed in the NHI Bill, by not being confined to complementary cover. This will be in the best interest of our members, and also make the NHI more sustainable for all South Africans.”*
- *“We are engaging with this matter through our industry association, the Health Funders Association, and Business Unity South Africa (BUSA), which is subscribed to by the Health Funders Association. It is through participation in these associations that Bankmed is able to advance the interests of our members and fellow South Africans.”*

Following the recent adoption of the NHI Bill by the National Assembly Portfolio Committee on Health (NAPCH), which largely ignored concerns and submissions made by interested stakeholders, Bankmed communicated to its members on 13 June 2023, and the communication (which was accompanied by a communication from the Health Funders Association) included the following paragraphs (direct extract from the Bankmed communication):

- *“Bankmed …. is therefore fully aligned with HFA and will support the process of challenging the current Bill based on the undesirable consequences it will have.”*
- *"We reiterate our assurance that staying close to this matter is important to us and that our position is strongly influenced by your interests specifically, and the interests of South Africans in general."*

The Principal Officer further highlighted concerns relating to the NHI Bill in its current form:

- Limitations on the benefits that medical schemes can provide;
- The uncertainty on the funding mechanism;
- A single NHI Fund may be vulnerable to corruption and theft;
- Compromised quality of healthcare;
- The flight of professional industry skills.

The Principal Officer updated the attendees on the legislative process that the Bill was going through, and confirmed that it would now be considered, in Parliament, by the National Assembly, and then by the National Council of Provinces.

The Principal Officer concluded as follows:

- The fact that there was little to no regard given to concerns raised and submissions made by many interested stakeholders is extremely unfortunate;
- Bankmed will continue to stay close to this matter, and all available avenues to influence the final outcome will be taken advantage of;
- There may be constitutional challenges to the Bill;
- There is a credible view that full implementation of NHI will take a while.

### 9.1. Voting Outcome

The Chairman reported on the outcome of the voting on agenda items where voting was required, as provided by BDO, summarised below:

| Minute item | Proposal | Approved | Abstained | Not Approved |
|---|---|---|---|---|
| 5 | Motion 1<br>Approve the audited annual financial statements and the auditor's report to members as of 31 December 2022 | 35 | 3 | 0 |
| 6 | Motion 2<br>Approve the proposal of a 5% increase in the Trustee and Independent Audit Committee member remuneration for the 2023/2024 cycle | 32 | 3 | 3 |
| 7 | Motion 3<br>Approve the recommendation that PwC continues as the Scheme's external auditor for the 2023 financial year | 36 | 2 | 0 |

The Chairman confirmed that all three proposals had been approved by members who had attended the meeting and voted. The results were subject to the audit and confirmation to the Scheme by BDO. The confirmation would also be published on the Scheme's website. PO

## 10. ANNOUNCEMENT OF THE NEWLY ELECTED MEMBERS OF THE BOARD OF TRUSTEES — ACTION

The Chairman handed over to BDO to present the outcome of the Trustee elections, and give assurance that the Trustee election was held in terms of relevant provisions of the Scheme Rules. BDO, in their capacity as the IEB, facilitated the presentation on the outcome of the Trustee voting process:

It was reported that the call for nominations was issued on 11 January 2023, with a deadline for receipt of nominations of 28 February 2023 at 12:00 noon. Nomination submissions were required to be submitted to the IEB electronically. All nominations were vetted to ensure compliance with the Scheme Rules. BDO conducted criminal, credit, and other verifications on qualifying nominees.

BDO received a total of twenty-three (23) nomination submissions. The nomination submissions were vetted in terms of the submission requirements and Scheme Rules. Eight (8) nomination submissions were disqualified due to inadequate information submitted, hence failing to meet the minimum nomination criteria. The remaining fifteen (15) nomination submissions were subjected to further compliance verifications regarding tax compliance, credit records, directorships, solvency, and criminal records. No issues were noted in the verification process. Vetted and verified candidates were presented to the Nominations Committee on 13 April 2023. The BOT reviewed and approved the final nominee candidate list on 19th April 2023.

Voting was conducted electronically through the online voting portal and a text voting system. The voting process commenced on 3 May 2023 at 12:00 noon and closed on 2 June 2023 at 12:00 noon. BDO received a total of 3 507 votes, and this meant that there was a 28% decrease in the number of votes from last year's election.

The results of the election of two candidates to the BOT (listed alphabetically in order of surname) were confirmed as follows:

- Mr Roderick Gush
- Mr Diederick Le Grange

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

## 11. CLOSURE — ACTION

There being no further business, the Chairman thanked the members, the BOT, and the executive team for their attendance.

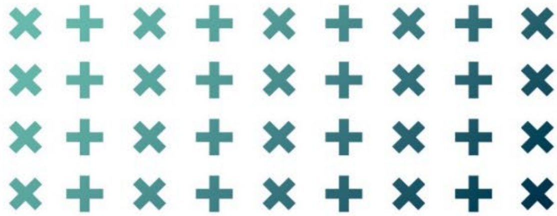
The Chairman expressed great appreciation to Mr Schaffrath for his tenure on the Board of Trustees, and congratulated Mr Roderick Gush and Mr Diederick Le Grange, for being re-elected and elected, respectively, onto the Board. Congratulations from Mr Trevor Dell were also noted.

The Chairman declared the meeting closed at 18:00.

Signed as an accurate record of proceedings.

____________________________ ____________________________

Chairman's Signature — Date



**BANKMED**

# SUMMARISED FINANCIAL STATEMENTS

**31 December 2023**

(The full Annual Financial Statements are available for download at **www.bankmed.co.za**)

Bankmed
*Yours in good health*

The reports and statements set out below comprise the summarised financial statements presented to members:

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The Board of Trustees hereby presents its annual report for the year ended 31 December 2023.

## 1 DESCRIPTION OF THE MEDICAL SCHEME

### 1.1 Terms of registration

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

### 1.2 Benefit options within the Scheme

In terms of its rules, the Scheme offered six benefit options during 2023:

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 are allocated to members.

The liability to the members in respect of the Personal Medical Savings Accounts is reflected in the Insurance contract liabilities in the summarised financial statements, repayable in terms of Regulation 10 of the Act.

### 1.4 Risk transfer arrangements

The Scheme had the following risk transfer agreements in place during 2023:

- Discovery Health (Pty) Ltd - To cover primary healthcare for members on the Bankmed Essential Plan and Bankmed Basic Plan as well as specialised diabetes and cardiometabolic management services to members on all benefit options.
- Centre for Diabetes and Endocrinology (Pty) Ltd - To cover diabetes claims for members on the Bankmed Core Saver Plan, Bankmed Traditional Plan, Bankmed Comprehensive Plan and Bankmed Plus Plan.

## 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 by the members 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 G Betela | Absa Bank Limited |
| Dr L Rametsi | Absa Bank Limited |
| Ms F Butler-Emmett (Appointed 20 July 2023) | FirstRand Limited |
| Ms S Moodley (Resigned 21 June 2023) | FirstRand Limited |
| Ms L Nkosi | FirstRand Limited |
| Mr W MacFarlane | The Standard Bank of South Africa Limited |
| Ms G Noemdoe | The Standard Bank of South Africa Limited |

**Elected by members**

Mr J Cresswell (Chairman)
Mr D Armstrong
Mr DW Bolt
Mr RP Gush (Re-elected 22 June 2023)
Mr D le Grange (Elected 22 June 2023)
Ms D Mantle
Mr EA Schaffrath (End of term 22 June 2023)

The Board of Trustees met six times during 2023 on the following dates:

22 to 24 February 2023 (Annual Strategic Planning Session)
19 April 2023
21 June 2023
20 July 2023
28 September 2023
30 November 2023

### 2.2 Principal Officer

Mr T Mosomothane
WeWork Rosebank (The Link), 1F
173 Oxford Road
Rosebank
2196

## 2 MANAGEMENT (continued)

### 2.3 Registered office address and postal address

| | |
|---|---|
| WeWork Rosebank (The Link), 1F | |
| 173 Oxford Road | Private Bag X2 |
| Rosebank | Rivonia |
| 2196 | 2128 |

### 2.4 Medical scheme administrator

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

### 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 | |
| 14 Dock Rd, Victoria & Alfred Waterfront | P.O. Box 1655 |
| Cape Town | Cape Town |
| 8001 | 8000 |

| | |
|---|---|
| Taquanta Asset Managers (Pty) Ltd | |
| 7th Floor | P.O. Box 23540 |
| Newlands Terraces | Claremont |
| 8 Boundary Road | Cape Town |
| Newlands | 7708 |
| 7700 | |

| | |
|---|---|
| M&G Investment Managers (Pty) Ltd | |
| 7th Floor | P.O. Box 44813 |
| Protea Place | Claremont |
| 30 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 |

## 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 | |
| 9th Floor | P.O. Box 3075 |
| 19 Ameshoff Street | Randburg |
| Braamfontein | 2194 |
| 2001 | |

## 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 |

## 3 INVESTMENT STRATEGY OF THE SCHEME

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

- the highest rate of return is achieved within the determined risk tolerance level;
- assets are broadly selected to obtain real growth relative to the Consumer Price Index (CPI);
- the negative effect of equity volatility is mitigated by diversifying investment holdings over various types of asset classes, and by employing multiple investment managers to administer these holdings; and
- risk mitigation provisions are applied.

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.

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 matters. Professional asset managers have been appointed to manage the assets of the Scheme. The Trustees will not undertake investment decisions in respect of the allocated assets without consulting the professional investment consultant.

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 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, and strategy, to the Board of Trustees, and to oversee the implementation thereof.

## 4 ENVIRONMENTAL, SOCIAL AND GOVERNANCE INITIATIVES AND MEASURES

The importance of the impact that the operations of an organisation has on Environmental, Social and Governance (ESG) factors, is appreciated by the Scheme. The effect of an organisation's operations on the environment is an ever increasing point of focus, mainly due to the rapidly increasing number of climate change events. Along with this, the impact an organisation has on the social aspects of the community in which it operates, are direct indicators of the long-term sustainability and overall success of the organisation. Bankmed complies with the provisions of the Medical Schemes Act and the Regulations thereto. Bankmed insists on the highest standards of Governance practices within the Scheme, as well as within the Scheme's various service providers.

The Scheme's major sphere of influence on ESG factors is via the investment of its reserves. The Scheme's Investment Committee devotes substantial time to interrogating the Scheme's five investment managers' ESG analysis and assessment methodologies. All of the Scheme's appointed investment managers subscribe to the five principles of the Code of Responsible Investing in the Republic of South Africa, of which the first principle addresses ESG requirements. The investment managers are required to report to the Investment Committee annually on various aspects of their investment performance and processes, one of the aspects being their consideration of an organisation's ESG factors, and any initiatives in this regard that the organisation has adopted.

As mentioned in Section 3, part of the Scheme's investment strategy is that the investment managers are mandated to decide which organisations they invest in. The Investment Committee does not dictate asset choice within investment managers' portfolios. The Scheme's investment managers undergo extensive scrutiny and due diligence before being appointed. But once appointed, their expertise in investing is not interfered with. Therefore, the regular analysis of their application of ESG considerations is carried-out instead of instructing the investment managers to invest or disinvest in any particular organisation.

The Scheme has also conducted an official assessment of the Scheme's office carbon footprint, which yielded very favourable results. The Scheme continues to monitor its carbon footprint.

## 5 REVIEW OF THE ACCOUNTING PERIOD'S ACTIVITIES

### 5.1 Operational statistics

| | Essential Plan | | Basic Plan | | Core Saver Plan | | Traditional Plan | | Comprehensive Plan | | Plus Plan | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Number of members at year end | 5,527 | 4,696 | 23,387 | 22,064 | 32,960 | 31,497 | 11,515 | 11,542 | 31,483 | 33,064 | 2,701 | 2,830 | 107,573 | 105,693 |
| Number of beneficiaries at year end | 7,698 | 6,569 | 45,633 | 42,754 | 69,338 | 65,809 | 25,149 | 25,388 | 68,645 | 71,829 | 4,807 | 5,090 | 221,270 | 217,439 |
| Average number of members for the year | 5,256 | 4,129 | 23,126 | 21,469 | 32,695 | 31,066 | 11,599 | 11,658 | 31,788 | 33,515 | 2,755 | 2,892 | 107,219 | 104,729 |
| Average number of beneficiaries for the year | 7,320 | 5,782 | 45,025 | 41,624 | 68,540 | 65,147 | 25,378 | 25,762 | 69,374 | 73,140 | 4,927 | 5,223 | 220,564 | 216,678 |
| Dependant-to-member-ratio at year end | 0.39 | 0.40 | 0.95 | 0.94 | 1.10 | 1.09 | 1.18 | 1.20 | 1.18 | 1.17 | 0.78 | 0.80 | 1.06 | 1.06 |
| Pensioner ratio (65 Years +) | 0.82% | 0.88% | 2.20% | 2.16% | 3.32% | 3.23% | 11.74% | 11.33% | 16.56% | 15.61% | 46.10% | 43.85% | 8.99% | 8.93% |
| Average age of beneficiaries | 28.93 | 28.64 | 26.52 | 26.21 | 27.30 | 26.99 | 36.14 | 35.67 | 39.39 | 38.73 | 57.00 | 56.90 | 32.61 | 32.48 |
| Avg Insurance revenue per member per month (R) | 1,759 | 1,648 | 3,023 | 2,811 | 3,427 | 3,177 | 5,784 | 5,383 | 5,612 | 5,189 | 8,401 | 7,816 | 4,289 | 4,059 |
| Avg Insurance revenue per beneficiary per month (R) | 1,263 | 1,177 | 1,553 | 1,450 | 1,635 | 1,515 | 2,643 | 2,436 | 2,572 | 2,378 | 4,697 | 4,328 | 2,085 | 1,962 |
| Avg Insurance service expense per member per month (R) | 961 | 914 | 2,543 | 2,408 | 2,854 | 2,567 | 6,458 | 6,022 | 6,909 | 6,077 | 11,262 | 10,293 | 4,502 | 4,190 |
| Avg Insurance service expense per beneficiary per month (R) | 690 | 653 | 1,306 | 1,242 | 1,362 | 1,224 | 2,952 | 2,725 | 3,166 | 2,785 | 6,298 | 5,699 | 2,189 | 2,025 |
| Insurance service expense as a percentage of insurance revenue | 54.64% | 55.45% | 84.13% | 85.67% | 83.29% | 80.80% | 111.66% | 111.88% | 123.10% | 117.11% | 134.07% | 131.68% | 104.98% | 103.23% |
| Amounts paid to administrator (R'000) | 13,023 | 9,404 | 57,304 | 48,898 | 74,828 | 65,469 | 26,527 | 24,568 | 72,739 | 70,631 | 6,304 | 6,095 | 250,725 | 225,065 |
| Attributable and non-attributable expenses as a percentage of net contributions | 21.4% | 20.36% | 12.63% | 12.11% | 10.65% | 10.53% | 6.37% | 6.31% | 6.50% | 6.54% | 4.36% | 4.30% | 8.62% | 8.33% |
| Liability attributable to future members per member at 31 December (R) | | | | | | | | | | | | | 31,072 | 31,565 |
| Average Healthcare management expense per member per month (R) | 124 | 114 | 123 | 114 | 113 | 104 | 116 | 104 | 112 | 104 | 113 | 104 | 116 | 107 |
| Average Healthcare management expense per beneficiary per month (R) | 89 | 81 | 63 | 59 | 54 | 50 | 53 | 47 | 51 | 48 | 63 | 58 | 56 | 52 |
| Return on investments as per an independent review by the Scheme's investment consultants | | | | | | | | | | | | | 9.87% | 7.20% |

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

### 5.2 Results of operations

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

### 5.3 Solvency ratio

| | 2023<br>R'000 | 2022<br>R'000<br>Restated |
|---|---|---|
| Liability attributable to future members per the statement of financial position | 3,342,502 | 3,336,198 |
| Less: Cumulative unrealised net gain on remeasurement of investments to fair value | (261,172) | (227,068) |
| Accumulated funds per Regulation 29 of the Act | 3,081,330 | 3,109,130 |
| | | |
| Gross annual contributions | 6,290,897 | 5,833,283 |
| Insurance revenue (Note 2) | 5,517,890 | 5,101,280 |
| PMSA contributions received (Note 2) | 773,007 | 732,003 |
| | | |
| Accumulated funds ratio | 48.98% | 53.30% |

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

### 5.4 Provision for outstanding claims

At year-end, a provision is made for those outstanding claims that have been incurred but not yet reported. Movements in this provision are included in the Insurance contract liabilities and are set out in Note 2 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.

## 6 ACTUARIAL SERVICES

The Scheme's actuary has been consulted in determining the contribution increases, the provision for outstanding claims, the risk adjustment and the viability of benefit levels.

## 7 INVESTMENTS IN PARTICIPATING EMPLOYERS OF MEMBERS OF THE SCHEME

The Scheme holds the following investments in employer groups:

| | 2023<br>R'000 | 2022<br>R'000 |
|---|---|---|
| Financial assets at fair value through profit or loss | 872,049 | 782,170 |
| Cash and cash equivalents | 529,940 | 620,182 |
| Total | 1,401,989 | 1,402,352 |

Refer to Note 6 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.

## 8 AUDIT COMMITTEE

The Audit Committee (the 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 their audit activities.

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

The 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:

Mr T Carrim (Independent Chairman)(Appointed 21 June 2023)
Ms F Petersen-Cook (Independent Chairman)(Resigned 6 April 2023)
Ms R Gani (Independent)
Ms F Levy-Hassen (Independent)
Mr B Phillips (Independent)
Mr G Betela (Trustee)
Ms F Butler-Emmett (Trustee)(Appointed 20 July 2023)
Mr EA Schaffrath (Trustee)(End of term 22 June 2023)

The Committee met four times during 2023 on the following dates:

15 February 2023
6 April 2023
2 August 2023
26 October 2023

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.

## 9 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 D Armstrong (Chairman of the Investment Committee)
Mr J Cresswell (Chairman of the Board of Trustees)
Ms G Noemdoe (Chairman of the Risk Management Committee)

The Committee met three times during 2023 on the following dates:

8 February 2023
6 September 2023
7 November 2023

## 10 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:

Ms G Noemdoe (Chairman) (Trustee)
Mr J Cresswell (Trustee) (Appointed 21 June 2023)
Ms D Mantle (Trustee)
Ms L Nkosi (Trustee)
Dr L Rametsi (Trustee)
Ms F Petersen-Cook (Independent Audit Committee Chairman) (Resigned 6 April 2023)
Mr T Carrim (Independent Audit Committee Chairman) (Appointed 21 June 2023)
Mr T Mosomothane (Principal Officer)
Mr N Coghlan (Executive: Finance and Risk)
Dr N Naidoo (Executive: Clinical and Operations)

The Committee met four times during 2023 on the following dates:

9 March 2023
4 May 2023
25 July 2023
12 October 2023

## 11 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 RP Gush (Trustee)
Mr G Betela (Trustee)
Mr J Cresswell (Trustee) (Appointed 20 July 2023)
Mr EA Schaffrath (Trustee) (End of term 22 June 2023)

The Committee met four times during 2023 on the following dates:

23 March 2023
18 May 2023
4 September 2023
23 November 2023

## 12 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 J Cresswell (Chairman)(Trustee)
Ms S Moodley (Trustee)
Ms G Noemdoe (Trustee)
Mr D Armstrong (Trustee)

The Committee met once during 2023 on the following date:

13 April 2023

## 13 MEETING ATTENDANCE

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

| | 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 J Cresswell | 6 | 6 | 3 | 3 | - | - | 2 | 2 | 1 | 1 | 2 | 2 |
| Mr DW Bolt | 6 | 6 | 3 | 3 | - | - | - | - | - | - | - | - |
| Mr D Armstrong | 6 | 6 | 3 | 3 | - | - | - | - | 1 | 1 | 4 | 4 |
| Mr G Betela* | 6 | 5 | - | - | 4 | 4 | - | - | - | - | 4 | 3 |
| Ms F Butler-Emmett | 3 | 3 | | | 2 | 2 | | | | | - | - |
| Mr D le Grange | 3 | 3 | - | - | - | - | - | - | - | - | - | - |
| Mr RP Gush | 6 | 6 | - | - | - | - | - | - | - | - | 4 | 4 |
| Ms D Mantle | 6 | 6 | - | - | - | - | 4 | 3 | - | - | - | - |
| Mr W MacFarlane | 6 | 6 | - | - | - | - | - | - | - | - | - | - |
| Ms S Moodley | 3 | 3 | - | - | - | - | - | - | 1 | 1 | - | - |
| Ms L Nkosi | 6 | 5 | | | - | - | 2 | 2 | | | | |
| Ms G Noemdoe | 6 | 5 | 3 | 3 | - | - | 4 | 4 | 1 | 1 | - | - |
| Dr L Rametsi | 6 | 6 | - | - | - | - | 4 | 4 | - | - | - | - |
| Mr EA Schaffrath* | 3 | 3 | - | - | 2 | 2 | - | - | - | - | 2 | 2 |

*Attended two External Audit Tender Committee meetings on 2 June 2023 and 9 June 2023.

## 14 NON-COMPLIANCE MATTERS

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

*Nature and impact*

In terms of Sections 33(2)(b) and 33(2)(c) of the Act, each benefit option shall be self-supporting in terms of membership and financial performance and be financially sound. The Bankmed Traditional Plan, Comprehensive Plan and Plus Plan incurred insurance service result deficits for the year ended 31 December 2023, thereby contravening Section 33(2)(b) and Section 33(2)(c) of the Act.

*Causes for the failure*

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

*Corrective action*

The benefits and contributions proposal approved by the CMS for 2023 included a budgeted loss. As required by the CMS, the Scheme continues to submit monthly management accounts reflecting the performance of the benefit options.

## 14 NON-COMPLIANCE MATTERS (continued)

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

*Nature and impact*
Contributions due from a number of participating employers were received more than three days after becoming due in certain months during 2023, 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. Continuous improvement has been instrumental in timeous payment of contributions by employer groups.

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

*Nature and impact*
The Scheme holds investments, via various instruments, with Absa Bank Limited, FirstRand Limited, Landbank SOC Limited and The Standard Bank of South Africa Limited, all of whom are participating employers of the Scheme. The Scheme also banks with FirstRand Limited and therefore has various current accounts with this participating 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 participating employers would fail to diversify 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 CMS and received an exemption from this section of the Act. The exemption granted is effective from 7 April 2022 to 7 April 2025.

## 14 NON-COMPLIANCE MATTERS (continued)

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

*Nature and impact*

The Scheme has investments in other administrators via unitised fund holdings within the Ninety One Absolute Opportunity and M&G Global Real Return portfolios.

*Causes for the failure*

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

*Corrective action*

The Scheme applied to the CMS and received an exemption from this section of the Act. The exemption granted is effective from 1 December 2022 to 30 November 2025.

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

*Nature and impact*

A medical scheme shall, in the case where an account has been rendered, subject to the provisions of the 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 number of claims were paid later than 30 days of the date 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 continues to comply 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.

## 14 NON-COMPLIANCE MATTERS (continued)

### 14.6 Disclosure of personal information

*Nature and impact*

Regulation 15J(2)(b) requires the Scheme to ensure that there are provisions in place for ensuring confidentiality of clinical and proprietary information, including the diagnosis and treatment pertaining to any beneficiary. Condition 7 of the Protection of Personal Information Act (POPIA) requires that personal information be kept secure against the risk of loss, unauthorised access, interference, modification, destruction or disclosure.

*Causes of failure*

During the year under review there were incidents where minor amounts of personal information were unintentionally shared, by the Scheme's administrator, with third-parties.

*Corrective action*

These incidents were reported to the Information Registrar as required. Remedial action taken included additional training and the strengthening of control systems.

### 14.7 Non-compliance with Section 29(1)(o) – 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*

These identified claims are reprocessed and paid as far as possible.

## 15 MEMBERSHIP

The membership of the Scheme increased by 1.78% to 107,573 at the end of 2023 when compared to the total membership at the end of 2022 of 105,693. The Board of Trustees continues to monitor membership movements and the matter is receiving the necessary attention in terms of both risk management and future strategic options. At the end of 2023, the Scheme's average beneficiary age was 32.61 years (2022: 32.48 years). The pensioner ratio increased from 8.93% at the end of 2022 to 8.99% at the end of 2023.

## 16 BENEFIT OPTIONS

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

## 17 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 ongoing basis.

## 18 FINANCIAL OVERVIEW

The financial position of the Scheme and its robust risk management approach resulted in a reaffirmation of the AA+ rating from the Global Credit Ratings Agency in 2023, indicating its strong ability to pay claims.

### 18.1 Implementation of new accounting standards

The Scheme implemented the new IFRS 17 Insurance contracts accounting standard, effective 1 January 2023, which replaced IFRS 4. See *Implementation of new standards* in the financial statements for more detail.

### 18.2 Review of financial results

The overall claims for 2023 were 0.51% higher than the amount budgeted for the year.

Incurred claims expenditure, expressed as a percentage of insurance revenue, was 98.46% for 2023 (2022: 96.71%).

The net surplus for the year amounted to R6.3m, comparing favourably to the budget deficit of R1.4m for the year. The comparative actual result for 2022 was a surplus of R36.3m.

### 18.3 Administration expenditure

Administration expenditure (attributable and non-attributable to insurance contracts) remained stable at 5.00% of insurance revenue in 2023 (2022: 4.98%). The overall administration expenditure figure compares favourably with the average administration expenditure of medical schemes (as obtained from the 2022 Council for Medical Scheme's (CMS) annual report) in the healthcare industry.

## 18 FINANCIAL OVERVIEW (continued)

### 18.4 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 and finance expenses) during 2023 amounted to R367.9 million, which is 39.72% better than the R263.3 million generated in 2022. The performance of the Scheme's managers was in line with market performance. All of the Scheme's investment managers operate in terms of strict mandates that have been delegated to them by the Board of Trustees, which comply with the requirements of the Act and Regulations, and are closely monitored.

The Board of Trustees has appointed an Investment Committee that in turn utilises the services of an independent investment consultant with the objective of advising the Board of Trustees regarding the implementation, benchmarking and monitoring of appropriate investment mandates. The investment mandates incorporate strategies which aim to outperform real growth relative to Consumer Price Inflation.

## 19 COMMUNICATION

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

## 20 MANAGED CARE

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

## 21 ROAD ACCIDENT FUND (RAF) CLAIMS

The Scheme has the right to recover medical expenditure incurred on members who have been involved in motor vehicle accidents (MVAs), from those members, if the value of the medical expenditure is reimbursed by the RAF. Usually a portion of the award by the RAF to the claimant is compensation for medical expenditure incurred. Bankmed members, on joining the Scheme, agree to reimburse the Scheme for medical expenses paid by the Scheme, in the event that such expenses are reimbursed by the RAF.

The Scheme has no legal right to these funds until a court order has been issued instructing the RAF to reimburse the member for the medical costs incurred as a result of the MVA. Because of the significant uncertainty as to the outcomes of these claims, the Scheme, from an accounting perspective, can therefore not raise an amount owing, or contingent asset, until such an award is made by the court. As at the 31 December 2023, the Scheme had potential reimbursements of medical expenditure incurred on members involved in MVA's who had pending claims against the RAF, of R102.7 million.

## 22 EVENTS AFTER THE REPORTING DATE

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

## 23 GOING CONCERN

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

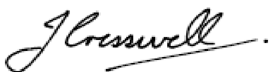
## 24 VOTE OF APPRECIATION

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

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

## 25 CONCLUSION

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



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|---|---|---|
| J CRESSWELL<br>CHAIRMAN | DW BOLT<br>VICE-CHAIRMAN | T MOSOMOTHANE<br>PRINCIPAL OFFICER |

23 April 2024
............................................
DATE

Bankmed
*Yours in good health*

**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 statements of financial position and funds and reserves at 31 December 2023, and the statements of comprehensive income 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, and the Regulations thereto. In addition, the Trustees are responsible for preparing the Board of Trustees report and the Statement of Corporate Governance.

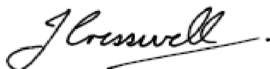
The Trustees are responsible for such internal controls as they deem necessary to enable the preparation of the summarised financial statements that are free from material misstatement, whether due to fraud or error. The Trustees ensure the use of appropriate accounting policies and prudent judgements 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 summarised financial statements are fairly presented in accordance with the applicable financial reporting framework.

**Approval of the summarised financial statements**

The summarised financial statements, as identified in the first paragraph, were approved by the Board of Trustees on 23 April 2024 and are signed on its behalf by:

|  | | |
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| J CRESSWELL | DW BOLT | T MOSOMOTHANE |
| CHAIRMAN | VICE-CHAIRMAN | PRINCIPAL OFFICER |

23 April 2024
…………………………………
DATE

**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 based on the principles published by the King Commission.

**BOARD OF TRUSTEES**

The Trustees meet regularly and monitor the performance of the Scheme. They address a range of key issues and ensure that the discussion of items of policy, strategy and performance are 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.

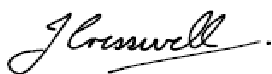
All Trustees have access to the advice and services of the Principal Officer and, where appropriate, may seek independent professional advice at the expense of the Scheme.

The Board of Trustees has 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 adequately maintain accountability for its assets. 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 Scheme's 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.

|  | | |
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| J CRESSWELL<br>CHAIRMAN | DW BOLT<br>VICE-CHAIRMAN | T MOSOMOTHANE<br>PRINCIPAL OFFICER |

23 April 2024
............................................
DATE

## STATEMENT OF FINANCIAL POSITION
**as at 31 December 2023**

Bankmed
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| | Notes | 2023<br>R'000 | 31 December 2022<br>R'000<br>Restated* | 1 January 2022<br>R'000<br>Restated* |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Equipment | | 552 | 635 | 881 |
| Financial assets at fair value through profit or loss | 1 | 4,530,321 | 4,399,738 | 4,125,703 |
| Financial assets at amortised cost | | 3,039 | 3,038 | 2,255 |
| Cash and cash equivalents | | 59,794 | 102,779 | 344,312 |
| **TOTAL ASSETS** | | **4,593,706** | **4,506,190** | **4,473,151** |
| **LIABILITIES** | | | | |
| Total insurance contract liabilities | | 4,575,193 | 4,490,535 | 4,457,644 |
| Liability attributable to current members | 2.1 | 1,232,691 | 1,154,337 | 1,157,693 |
| Liability attributable to future members | 2.2 | 3,342,502 | 3,336,198 | 3,299,951 |
| Financial liabilities at amortised cost | | 13,056 | 9,473 | 9,249 |
| Post-retirement medical aid benefit liability | | 5,457 | 6,182 | 6,258 |
| **TOTAL LIABILITIES** | | **4,593,706** | **4,506,190** | **4,473,151** |

*Restated for:
1) the implementation of IFRS 17 Insurance Contracts (refer to page 46), and
2) prior period error (refer to page 44)

## STATEMENT OF CHANGES IN FUNDS AND RESERVES
**as at 31 December 2023**

| | 1 January 2022<br>R'000 |
|---|---|
| Balance at 1 January 2022 (as previously reported) | 3,313,940 |
| Transition restatement (see impact of the adoption of IFRS 17, page 48) | (3,313,940) |
| Balance at 1 January 2022 (restated) | - |

# STATEMENT OF COMPREHENSIVE INCOME
**for the year ended 31 December 2023**

Bankmed
Yours in good health

| | Notes | 2023<br>R'000 | 2022<br>R'000<br>Restated # |
|---|---|---|---|
| Insurance revenue | 3 | 5,517,890 | 5,101,280 |
| Insurance service expenses | 3 | (5,799,178) | (5,302,402) |
| Net (expense)/income from reinsurance contracts held | 3 | (4,707) | 16,091 |
| **Insurance service result** | | **(285,995)** | **(185,031)** |
| Interest income from financial assets not measured at fair value through profit or loss | 4 | 6,582 | 9,947 |
| Investment income from investments held at fair value through profit or loss | 4 | 295,188 | 246,595 |
| Fair value gains from investments held at fair value through profit or loss | 4 | 114,543 | 47,575 |
| **Net investment income** | | **416,313** | **304,117** |
| Finance expenses on Personal Medical Savings Accounts | | (30,311) | (23,115) |
| **Net insurance finance expenses** | | **(30,311)** | **(23,115)** |
| **Net insurance and investment result** | | **100,007** | **95,971** |
| Asset management fees | | (18,068) | (17,656) |
| Other operating expenses | 5 | (92,607) | (80,162) |
| Sundry income | | 10,668 | 1,847 |
| **Net result*** | | **0** | **0** |

*See mutual entity disclosure on page 50
# Restated for the implementation of IFRS 17 Insurance Contracts (refer to page 46)

# STATEMENT OF CASH FLOWS
**for the year ended 31 December 2023**

Bankmed
Yours in good health

| | Notes | 2023<br>R'000 | 2022<br>R'000<br>Restated* |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Cash receipts from members and providers | | 6,311,968 | 5,818,197 |
| Cash receipts from members - contributions | 2.1 | 6,311,160 | 5,818,197 |
| Cash receipts from members and providers - other | | 808 | - |
| Cash paid to members and providers | | (6,622,215) | (6,071,918) |
| Cash paid to members and providers - claims and other directly attributable expenses paid | 2.1 | (6,291,850) | (5,779,255) |
| Cash paid to providers - non-healthcare expenditure | | (274,171) | (238,963) |
| Cash paid to members - savings plan refunds | 2.1 | (56,194) | (53,700) |
| Asset management fees | | (18,068) | (17,656) |
| Dividends received | | 42,101 | 59,768 |
| Interest received # | | 259,368 | 142,770 |
| **Net cash (utilised in)/generated from operating activities** | | **(26,846)** | **(68,839)** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| (Purchase)/proceeds on sale of equipment | | (100) | 32 |
| Purchase of investments | | (5,541,388) | (4,936,374) |
| Proceeds on disposal of investments | | 5,525,349 | 4,763,648 |
| **Net cash utilised in investing activities** | | **(16,139)** | **(172,694)** |
| **Net decrease in cash and cash equivalents** | | **(42,985)** | **(241,533)** |
| **Cash and cash equivalents at beginning of the year #** | | **102,779** | **344,312** |
| **Cash and cash equivalents at end of the year #** | | **59,794** | **102,779** |

* Certain prior year cash flows have been restated in line with IFRS 17 Insurance Contracts. These restatements have not had an impact on the net cash flows in operating activities.

# Accrued interest was historically incorrectly accounted for as part of cash and cash equivalents, and this was corrected in the current year. Cash and cash equivalents as at 1 January 2022 was reported as R315,0m. This was restated in the current year to include the accrued interest of R29,3m resulting in Cash and cash equivalents being restated to R344,3m. Cash and cash equivalents as at 31 December 2022 was reported as R68,6m. This was restated in the current year to include the accrued interest of R34,2m resulting in Cash and cash equivalents being restated to R102,8m.

Bankmed
Yours in good health

## GENERAL INFORMATION

Bankmed (the Scheme) is a medical scheme that offers 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.

## BASIS OF PREPARATION

The summarised financial statements have been prepared in accordance with IFRS® Accounting Standards (IFRS) and IFRIC® Interpretations, 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 accounting policies applied in the preparation of these summarised financial statements are set out below. These policies have been applied consistently 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® Accounting Standards 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; and
- Insurance and reinsurance assets and liabilities – measured in terms of IFRS 17.

Due to the short-term nature of the Scheme's financial assets and liabilities, all values are shown as current unless otherwise stated.

All monetary information and figures presented in these summarised financial statements are stated in South African Rand thousand (R'000), which is the Scheme's functional currency, unless otherwise indicated.

## EVENTS AFTER THE REPORTING DATE

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

## IMPLEMENTATION OF NEW STANDARDS

### New standards, amendments and interpretations not yet 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.

**IMPLEMENTATION OF NEW STANDARDS (continued)**

| Standard | Scope | Effective date |
|---|---|---|
| Amendments to IAS 1- Non-current liabilities with covenants | These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.<br><br>This amendment has no further impact on the Scheme. | 1 January 2024 |
| Narrow scope amendments to IAS 1 'Presentation of Financial Statements', Practice statement 2 and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' | The amendments aim to improve accounting policy disclosures and to help users of the Financial Statements to distinguish changes in accounting policies from changes in accounting estimates.<br>The Scheme discloses the accounting policy for each note as well as the critical judgements and estimates applicable to the individual Financial Statement line items.<br>The standard has no further impact on the Scheme. | 1 January 2024 |
| Amendments to IAS21 Lack of Exchangeability (Amendments to IAS21) | An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations. This amendment has no further impact on the Scheme. | 1 January 2025 |

**Implementation of IFRS 17 Insurance contracts**

**Introduction**

The effective date of IFRS 17 Insurance Contracts is for reporting periods beginning on or after 1 January 2023. IFRS 17 is mandatory for the Scheme effective from 1 January 2023.

IFRS 17 is a new accounting standard for insurance contracts that provides guidelines on recognising, measuring, presenting, and disclosing insurance contracts. It was introduced by the IASB in May 2017. IFRS 17 replaces the previous standard, IFRS 4 Insurance Contracts, issued in 2005 as an interim standard with limited prescribed changes to pre-existing insurance accounting practices applied by insurers.

IFRS 17 represents a positive step towards enhancing transparency, comparability, and understanding of how insurers earn profits from insurance contracts, namely insurance service results and financial results. The framework established by IFRS 17 outlines the specific requirements that entities must adhere to when reporting information related to both the insurance contracts they issue and the reinsurance contracts they hold. One of the noteworthy distinctions introduced by IFRS 17 pertains to the level of granularity at which insurance contracts are recognised and measured.

**IMPLEMENTATION OF NEW STANDARDS (continued)**

**Implementation of IFRS 17 Insurance contracts (continued)**

**Introduction (continued)**

IFRS 17 is not limited to insurance companies, but also includes those entities that issue any contract that results in the transfer of significant insurance risk. Contracts issued by the Scheme fall within the scope of IFRS 17. These contracts are entirely aligned with those recognised under the previous standard, IFRS 4.

Whilst the underlying contractual terms and economic risks and rewards of each insurance contract remain unaltered, IFRS 17 impacts the accounting treatment of insurance contracts and, most notably, the timing of recognition of insurance related profits or losses for accounting purposes. Importantly, it also separates the insurance related profit or losses between those arising from insurance service results and those arising from financial results.

**Transition to IFRS 17**

Upon first-time adoption, IFRS 17 requires the standard to be applied fully retrospectively as if the standard always applied, unless impracticable. If impracticable to do so, the entity can elect to either apply a modified retrospective approach or use the fair value approach.

The Scheme has determined that reasonable and supportable information was available for all contracts in force at the transition date that were issued within three years prior to the transition, and is in a position to apply a fully retrospective restatement from inception for its groups of insurance contracts issued. The fully retrospective approach requires that the Scheme identify, recognise, and measure groups of insurance contracts as if IFRS 17 had always applied, derecognising any existing balances that would not exist had IFRS 17 always applied and recognise any resulting net difference in the *Liability attributable to future members.*

The retrospective approach has limited impact on the Scheme, with the most significant impact being applying the treatment under IFRS 17 for mutual entities and a risk adjustment for non-financial risk to insurance cash flows. The purpose of the risk adjustment is to measure the effect of uncertainty in the fulfilment cash flows that arise from insurance contracts, other than uncertainty arising from financial risk.

The Scheme has applied the fully retrospective transition provision in IFRS 17.

**Impact of transition to IFRS 17**

The Scheme considered its substantive rights and obligations arising from its insurance contracts in applying IFRS 17.

The Scheme does not have any contracts with specified embedded derivatives, however, it does issue contracts which contain Personal Medical Savings Accounts (PMSAs). Under IFRS 4 the criteria for unbundling were met and the PMSAs were unbundled and accounted for as financial instruments.

**IMPLEMENTATION OF NEW STANDARDS (continued)**

**Implementation of IFRS 17 Insurance contracts (continued)**

**Impact of transition to IFRS 17 (continued)**

The condition whereby the investment component (PMSA) can be separated from the insurance component if not highly interrelated is not met and the PMSA cannot be separated from the insurance component. IFRS 17 is therefore applied to the entire contract including the PMSA.

The PMSA is a non-distinct investment component with the balances included in the total Insurance contract liabilities in the Scheme's Statement of financial position.

The net impact of the retrospective application on the Scheme's Statement of financial position is summarised as follows:

| | R'000 |
|---|---|
| **Accumulated funds as at 31 December 2021 - audited and previously reported** | **3,313,940** |
| **IFRS 17 adjustments** | |
| - Adjustment as a result of the risk adjustment for non-financial risk | (10,060) |
| - Adjustment as a result of the revision to the best estimate liability of claims incurred but not yet reported | (3,929) |
| **Liability for future members as at 31 December 2021** | **3,299,951** |
| **Accumulated funds as at 31 December 2022 - audited and previously reported** | **3,348,701** |
| **IFRS 17 adjustments** | |
| - Adjustment as a result of the risk adjustment for non-financial risk | (11,100) |
| - Adjustment as a result of the revision to the best estimate liability of claims incurred but not yet reported | (1,403) |
| **Liability for future members as at 31 December 2022** | **3,336,198** |

**Change in accounting policy due to IFRS 17 implementation**

*Classification of contribution receivables*

The Scheme has accounted for all contribution debtors that relate to insurance services already rendered in the *Liability for remaining coverage* (LRC) at year end (Note 2).

**IMPLEMENTATION OF NEW STANDARDS (continued)**

**Implementation of IFRS 17 Insurance contracts (continued)**

**Change in accounting policy due to IFRS 17 implementation (continued)**

*Classification of expenditure/income outstanding at year end that meet the definition of financial liabilities or financial assets*

The fulfilment cash flows may include expenditure incurred in accounting standards other than IFRS 17, for example administration fees payable. When administration fees are outstanding, this would meet the definition of a financial liability. Where expenditure/income outstanding at year end meets the definition of financial liabilities or financial assets, the Scheme has an accounting policy choice to either include the payables/receivables in the *Insurance contract liabilities* or to recognise it as a separate IFRS 9 liability/asset such as trade and other payables/receivables. The Scheme has elected to include these payables in the *Insurance contract liabilities.*

**SIGNIFICANT JUDGEMENTS AND ESTIMATES**

In the application of the Scheme's accounting policies, which are described below and in the notes, the Board of Trustees is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Following are the significant judgements, apart from those involving estimations (which are dealt with separately below), that have been made in the process of applying the Scheme's accounting policies and that have the most significant impact on the amounts recognised in the Financial Statements.

**Significant Judgements**

***Unit of account***

Judgement has been applied to how the Scheme determined the unit of account for the measurement of its insurance contracts. Management has assessed the portfolio of the Scheme as a whole due to the holistic pricing methodologies and risk management strategy that manages the risk on a scheme level.

The above is demonstrated by the following:
- Hospital claims are managed on a scheme level.
- Chronic conditions are managed on a scheme level, i.e. no matter the option the member will have access to the chronic condition management benefit.
- Risk transfer arrangements are based on conditions and not on benefit options.
- Pricing and benefit option changes are determined at a scheme level to manage member migration between different benefit options to ensure each option is sustainable.
- Risk (utilisation and concentration) is managed holistically.

**SIGNIFICANT JUDGEMENTS AND ESTIMATES (continued)**

**Significant Judgements (continued)**

***Risk adjustments - liability for incurred claims***

The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows and reflects the compensation the Scheme requires for bearing the uncertainty regarding the amount and timing of the cash flows from non-financial risk as the Scheme fulfils insurance contracts. Because the risk adjustment represents compensation for uncertainty, estimates are made on the degree of diversification benefits and expected favourable and unfavourable outcomes in a way that reflects the Scheme's degree of risk aversion. The Scheme estimates an adjustment for non-financial risk separately from all other estimates.

The risk adjustment was calculated at the portfolio level as the Scheme does not have groups due to laws that constrain the Scheme's ability to set a price for different members. The confidence level method was used to derive the overall risk adjustment for non-financial risk. In the confidence level method, the risk adjustment is determined by applying a confidence level to run-off triangles used to calculate the *Liability for incurred claims* . The confidence level is set at 90%.

The Scheme will present the changes in the risk adjustment for non-financial risk in the insurance service result.

The methods and assumptions used to determine the risk adjustment for non-financial risk were not changed during the transition to IFRS 17.

***Risk adjustments - risk transfer arrangements***

For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Scheme to the reinsurer. The same methodology applies to the risk transfer agreements as for the insurance contracts with regards to the determination of the risk adjustment.

***Assessment as to whether the Scheme is a mutual entity***

A medical scheme is not legally defined as a mutual entity and the assessment as to whether a medical scheme is a mutual entity was done based on the principles set out in IFRS.

IFRS 3 defines a "mutual entity" as "An entity, other than an investor-owned entity, that provides dividends, lower costs or other economic benefits directly to its owners, members or participants. For example, a mutual insurance company, a credit union and a co-operative entity are all mutual entities."

IFRS 17 does not define a "mutual entity" however it provides a key characteristic of a mutual entity in the basis of conclusion to the standard. IFRS 17 paragraph BC265 explains that "a defining feature of an insurer that is a mutual entity is that the most residual interest of the entity is due to a policyholder and not a shareholder." The Act is not explicit that members (i.e. policyholders) hold a residual interest or are entitled to the residual interest upon the liquidation of the medical scheme. Section 64 of the Act requires the medical scheme rules to be followed in the event of liquidation.

## SIGNIFICANT JUDGEMENTS AND ESTIMATES (continued)

### Significant Judgements (continued)

***Assessment as to whether the Scheme is a mutual entity (continued)***

The rules of the Scheme do not contain specific guidance on how the assets of the Scheme should be distributed on liquidation. The Act prohibits the disposal of assets of a medical scheme except in limited, listed circumstances, one of them being the liquidation of the Scheme. Members can opt for voluntary liquidation and can distribute the Scheme's remaining assets amongst themselves. As the Scheme does not have shareholders, the current members will access the reserves through economic benefits such as funding reductions in contributions or deferral of contribution increases.

Consequently the Statement of comprehensive income reflects no total comprehensive income for the year as this is now accounted for in the movement in the Liability attributable to future members as included in the insurance service expenses.

Due to the Scheme being a mutual entity, the assessment of onerous contracts is also affected.

Although the rules do not specify how the assets should be distributed on liquidation, IFRS 17 states that "contracts can be written, oral or implied by an entity's customary business practices. Contractual terms include all terms in a contract, explicit or implied, but an entity shall disregard terms that have no commercial substance (i.e. no discernible effect on the economics of the contract). Implied terms in a contract include those imposed by law or regulation" (IFRS 17.2). Therefore, based on customary business practices, the remaining assets of a scheme should be distributed to the members on liquidation if there are any and if the scheme does not amalgamate with another scheme. Even if the assets are distributed by a regulator or by the policyholders to an independent third party e.g. another medical scheme, an administrator or a charity, the important aspect is that the choice resides with the members or the regulator acting on behalf of the members, not with an equity holder.

The substance of the legal framework issued regarding insurance contracts and observed practice is that once a contribution is paid to the medical scheme, the contribution is used to provide benefits to members. The benefits are provided by the medical scheme (or amalgamated schemes) through insurance coverage, reduced contributions, or payment to members on liquidation (based on votes taken by members).

It is therefore expected that the remaining assets of the scheme will be used to pay current and future members. Based on the above, the Scheme meets the definition of a mutual entity in terms of IFRS.

The Scheme has therefore developed an accounting policy in terms of the IFRS 17 guidance for mutual entities and the educational material as issued by the IASB and the Scheme recognises any cumulative profits or losses as part of the Liability attributable to future members (which forms part of the Insurance contract liabilities on the face of the Statement of financial position).

**SIGNIFICANT JUDGEMENTS AND ESTIMATES (continued)**

**Significant estimates**

The preparation of financial statements requires the use of accounting estimates, which, by definition, will seldom equal the actual results. This note provides an overview of items that are more likely to be materially adjusted due to changes in estimates and assumptions in subsequent periods. Detailed information about each of these estimates is included in the notes below, together with information about the basis of calculation for each affected line item in the financial statements.

In applying IFRS 17 measurement requirements, the following inputs and methods were used that include significant estimates. The present value of future cash flows is estimated using deterministic scenarios.

The sensitivities with regard to the assumptions made that have the most significant impact on measurement under IFRS 17, are detailed in the Insurance Risk Management note in the Financial Statements.

***Estimates of future cash flows to fulfil insurance contracts***

Included in the measurement of the *Liability for incurred claims* of a group of contracts are all the future cash flows within the boundary of the group of contracts. The estimates of these future cash flows are based on probability weighted expected future cash flows. The Scheme estimates which cash flows are expected and the probability that they will occur as at the measurement date. In making these expectations, the Scheme uses information about past events, current conditions and forecasts of future conditions. The Scheme's estimate of future cash flows is the mean of a range of scenarios that reflect the full range of possible outcomes. Each scenario specifies the amount, timing, and probability of cash flows. The probability weighted average of the future cash flows is calculated using a deterministic scenario representing the probability weighted mean of a full range of scenarios.

The uncertainty in the insurance contracts lies in the number, severity and timing of claims.

Assumptions used to develop estimates about future cash flows are reassessed at each reporting date and adjusted where required.

**Methods used to measure the insurance contracts**

The Scheme estimates insurance liabilities in relation to claims incurred for healthcare contracts.

Judgement is involved in assessing the most appropriate technique to estimate insurance liabilities for the claims incurred. The actuarial methodology used in assessing the estimated claims outcome of insurance liabilities is the chain ladder method.

The chain ladder method involves an analysis of historical claims development factors and the selection of estimated development factors based on this historical pattern. The selected development factors are then applied to cumulative claims data for each period (in the Scheme's case, for the four months post year-end) that is not yet fully developed to produce an estimated ultimate claims cost for each reporting period. The chain ladder method is the most appropriate for this claim pattern.

**SIGNIFICANT JUDGEMENTS AND ESTIMATES (continued)**

**Methods used to measure the insurance contracts (continued)**

Run-off triangles are used in situations where it takes time after the treatment date for the full extent of the claims to become known. It is assumed that payments will emerge in a similar way in each service month. The proportional increase in known cumulative payments from one development month to the next can then be used to calculate payments for future development months.

The following was taken into account when estimating the *Liability for incurred claims* :
- The homogeneity of the data.
- Changes in pattern of claims.
- Changes in the composition of members and their beneficiaries.
- Changes in benefit limits.
- Changes in the prescribed minimum benefits.

**INSURANCE CONTRACTS SCOPE AND GROUPING**

**Definition and classification**

Contracts under which the Scheme accepts significant insurance risk from another party (the member) by agreeing to compensate the member or other beneficiary, if a specified uncertain future event (the insured event) adversely affects the member or other beneficiary are classified as insurance contracts. In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis. The Scheme uses judgement to assess whether a contract transfers insurance risk and whether the accepted insurance risk is significant.

**Separating components within insurance contracts**

Before the Scheme accounts for an insurance contract it analyses whether the contract contains components that should be separated. There are three categories of components that have to be accounted for separately:

- cash flows relating to embedded derivatives that are required to be separated;
- cash flows relating to distinct investment components; and
- promises to transfer distinct goods or distinct non-insurance services.

The Scheme does not have contracts with specified embedded derivatives. Certain of the contracts with members contain a Personal Medical Savings Account (PMSA) component. The PMSA, an investment component, and the insurance component of the insurance contract is highly interrelated.

The PMSA is a non-distinct investment component with the balances included in Insurance contract liabilities in the Statement of financial position. While the cash flows are not recorded in the Statement of comprehensive income, they are considered in assessing onerous contracts.

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**INSURANCE CONTRACTS SCOPE AND GROUPING (continued)**

**Level of aggregation**

The level of aggregation has a significant impact on accounting for the insurance contract, including the measurement of insurance contracts and the extent of offsetting or cross subsidisation to determine onerous contracts. A portfolio comprises contracts subject to similar risks and managed together. Once the group of insurance contracts has been established, it becomes the unit of account.

The contracts issued by the Scheme are subject to similar risks and managed together, thus falling into the same portfolio with no further disaggregation into groups. The level of aggregation is assessed to be at a Scheme level.

**Contract boundary**

The Scheme uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts. This assessment is reviewed every reporting period.

Cash flows are within the boundary of an insurance contract if they arise from the rights and obligations that exist during the period in which the member is obligated to pay contributions, or the Scheme has a substantive obligation to provide the member with insurance coverage or other services. A substantive obligation ends when both of the following criteria are satisfied:

- the Scheme has the practical ability to reassess the risks of the portfolio of insurance contracts and set a price or level of benefits that fully reflects the risks of that portfolio; and
- the pricing of contributions related to coverage to the date when risks are reassessed does not reflect the risks related to periods beyond the reassessment date.

In assessing the practical ability to reprice, risks transferred from the member to the Scheme are considered.

Cash flows outside the insurance contract boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

The Scheme has assessed its portfolio of insurance contracts to have a contract boundary of one year, which coincides with the Scheme's financial year.

## INSURANCE CONTRACTS SCOPE AND GROUPING (continued)

### Recognition and derecognition

The group of insurance contracts issued are initially recognised from the earliest of the following:
- the beginning of the coverage period; or
- the date when the first payment from the member is due or actually received, if there is no due date; or
- when the Scheme determines that a group of contracts becomes onerous.

An insurance contract is derecognised when it is:
- extinguished (i.e. when the obligation specified in the insurance contract expires or is discharged or cancelled); or
- if the terms are modified due to an agreement between the Scheme and its member or by regulation and the modification terms meet the requirements in IFRS 17.

If the modification does not comply with all the requirements of IFRS 17, the Scheme shall treat the changes in cash flow as changes in estimates of fulfilment cash flows.

### Initial and subsequent measurement

The coverage period of each contract in the Scheme's portfolio of insurance contracts is one year or less. Therefore, the Scheme has made the accounting policy choice to simplify the measurement of its group of contracts using the Premium Allocation Approach (PAA).

For insurance contracts issued, on initial recognition, the Scheme measures the *Liability for remaining coverage* at the amount of contributions received.

The carrying amount of the group of insurance contracts issued at each reporting period is the sum of:
- the *Liability for remaining coverage* decreased by any investment component paid or transferred to the *Liability for incurred claims* ; and
- the *Liability for incurred claims* , comprising the fulfilment cashflows related to past service at the reporting date.

For insurance contracts issued, at each of the subsequent reporting dates, the *Liability for remaining coverage* is:
- increased for contributions received in the period;
- decreased by any investment component paid or transferred to the *Liability for incurred claims* ; and
- decreased for the amounts of expected contributions received recognised as insurance revenue for the services provided in the period.

For insurance contracts issued at each of the subsequent reporting dates the *Liability for incurred claims* is:
- the probability weighted estimate of the present value of the future cash flows; and
- the risk adjustment for non-financial risk.

Refer to Judgements and Estimates earlier in this note for the significant judgements and estimates used to determine the *Liability for incurred claims* and the estimates to determine the fulfilment cash flow.

**INSURANCE CONTRACTS SCOPE AND GROUPING (continued)**

**Onerous contract assessment**

In the consideration of whether facts and circumstances indicate that a group of insurance contracts is onerous, the *Scheme* considers whether the expected deficit of the following year exceeds the *Liability attributable to future members*. In the rare scenario where the following year's deficit exceeds the *Liability attributable to future members,* the contracts written would be onerous and an onerous contract liability should be raised. Where the amounts attributable to future members exceed the following year's expected deficit the contracts would not be determined as onerous.

**Insurance revenue**

As the Scheme provides services under a group of insurance contracts, it reduces the *Liability for remaining coverage* and recognises insurance revenue. The amount of insurance revenue recognised in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration the Scheme expects to be entitled to in exchange for those services.

For the group of insurance contracts measured under the PAA, the Scheme recognises insurance revenue based on the passage of time over the coverage period of the group of contracts.

**Insurance service expenses**

Insurance service expenses include:
- incurred claims and benefits excluding investment components;
- other incurred directly attributable insurance service expenses;
- changes that relate to past service (i.e. changes in the fulfilment cashflows relating to the *Liability for incurred claims* );
- changes that relate to future service (i.e. losses/reversals on onerous groups of contracts from changes in the loss components);
- amounts attributable to future members; and
- recoveries from third parties (including reimbursement from the Road Accident Fund).

Cash flows that are not directly attributable to a group of insurance contracts, such as some product development and training costs, are recognised in other operating expenses as incurred.

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**INSURANCE CONTRACTS SCOPE AND GROUPING (continued)**

**Other incurred directly attributable insurance service expenses include:**

***Accredited managed care healthcare services (no risk transfer)***

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.

***Accredited administration services***

Expenses for accredited administration services are paid to the Scheme's administrator.

Cash flows that are not directly attributable to a group of insurance contracts are recognised in other operating expenses as incurred and include the Scheme’s operating expenses and other administration services fees paid to the Scheme's administrator.

**Insurance interest income and expenses**

The non-distinct investment component (PMSA) accrues interest. This is disclosed in the finance expense on Personal Medical Savings Accounts.

Interest payable on members' Personal Medical Savings Accounts is expensed when incurred.

## 1 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, if applicable, are expensed in 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 Investment 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:

| | **2023**<br>**R'000** | **2022**<br>**R'000** |
|---|---:|---:|
| Listed equities | 1,224,849 | 1,288,433 |
| Commodity linked instruments | 52,224 | 60,865 |
| Collective investment schemes | 618,020 | 417,017 |
| Offshore collective investment schemes | 118,453 | 131,568 |
| Money market instruments | 305,569 | 549,226 |
| Bonds | 1,509,572 | 1,319,173 |
| Linked Insurance Policies | 701,634 | 633,456 |
| | **4,530,321** | **4,399,738** |

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

| *Note* | 2023<br>R'000 | 2022<br>R'000 |
|---|---|---|
| Fair value at the beginning of the year | 4,399,738 | 4,125,703 |
| Dividends recapitalised | 42,101 | 58,483 |
| Interest recapitalised | 253,088 | 180,351 |
| Realised gains on disposal | 80,439 | 62,452 |
| Asset management fees | (18,068) | (17,656) |
| Acquisition of Financial assets at fair value through profit or loss | 5,246,200 | 4,751,273 |
| Proceeds on disposal of Financial assets at fair value through profit or loss | (5,507,281) | (4,745,992) |
| Net movement on revaluation of Financial assets at fair value through profit or loss | 34,104 | (14,876) |
| **Fair value at the end of the year** | **4,530,321** | **4,399,738** |
| Current assets | 1,592,424 | 1,546,495 |
| Non-current assets | 2,937,897 | 2,853,243 |

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 9.70% (2022: 4.30%).

**2 INSURANCE CONTRACT LIABILITIES**

**2.1 LIABILITY ATTRIBUTABLE TO CURRENT MEMBERS**

| | 2023 R'000 | | | | 2022 R'000 | | | |
|---|---|---|---|---|---|---|---|---|
| | Liability for remaining coverage (LRC) | Liability for incurred claims (LIC) | | Total | Liability for remaining coverage (LRC) | Liability for incurred claims (LIC) | | Total |
| **Insurance contracts issued** | | Present value of future cash | Risk adjustment | | | Present value of future cash | Risk adjustment | |
| **Net opening balance** | **(58,996)** | **1,202,233** | **11,100** | **1,154,337** | **(39,363)** | **1,186,996** | **10,060** | **1,157,693** |
| Insurance service result | (5,517,890) | 5,785,644 | 7,230 | 274,984 | (5,101,280) | 5,265,115 | 1,040 | 164,875 |
| Insurance revenue | (5,517,890) | - | - | (5,517,890) | (5,101,280) | - | - | (5,101,280) |
| Insurance service expense | - | 5,785,644 | 7,230 | 5,792,874 | - | 5,265,115 | 1,040 | 5,266,155 |
| Incurred claims and directly attributable expenses | - | 5,601,770 | - | 5,601,770 | - | 5,101,631 | - | 5,101,631 |
| Changes in fulfilment cash flows relating to the liability for incurred claims - past service | - | (4,054) | (11,100) | (15,154) | - | 1,213 | (10,060) | (8,847) |
| Changes in fulfilment cash flows relating to the liability for incurred claims - current service | - | 187,928 | 18,330 | 206,258 | - | 162,271 | 11,100 | 173,371 |
| Finance income from insurance contracts issued | - | 30,311 | - | 30,311 | - | 23,115 | - | 23,115 |
| Total amounts recognised in the Statement of comprehensive income | (5,517,890) | 5,815,955 | 7,230 | 305,295 | (5,101,280) | 5,288,230 | 1,040 | 187,990 |
| Investment component - PMSA | (777,804) | 777,804 | - | - | (736,550) | 736,550 | - | - |
| PMSA contributions received | (773,007) | 773,007 | - | - | (732,003) | 732,003 | - | - |
| Transfers received from other schemes | (4,797) | 4,797 | - | - | (4,547) | 4,547 | - | - |
| **Total movement** | **(6,295,694)** | **6,593,759** | **7,230** | **305,295** | **(5,837,830)** | **6,024,780** | **1,040** | **187,990** |
| *Cash flows* | | | | | | | | |
| Contributions received | 6,311,160 | - | - | 6,311,160 | 5,818,197 | - | - | 5,818,197 |
| Claims, PMSA refunds and other directly attributable expenses paid | - | (6,348,044) | - | (6,348,044) | - | (5,832,955) | - | (5,832,955) |
| Claims related to recoveries from reinsurance | - | (190,057) | - | (190,057) | | (176,588) | | (176,588) |
| **Total cash flows** | **6,311,160** | **(6,538,101)** | **-** | **(226,941)** | **5,818,197** | **(6,009,543)** | **-** | **(191,346)** |
| **Net closing balance** | **(43,530)** | **1,257,891** | **18,330** | **1,232,691** | **(58,996)** | **1,202,233** | **11,100** | **1,154,337** |

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## 2 INSURANCE CONTRACT LIABILITIES (continued)

### 2.1 LIABILITY ATTRIBUTABLE TO CURRENT MEMBERS (continued)

| | 2023<br>R'000 | 2022<br>R'000 |
|---|---|---|
| *Breakdown of cash flows* | | |
| **Contributions received** | **6,311,160** | **5,818,197** |
| Risk contributions | 5,533,356 | 5,081,647 |
| PMSA contributions | 777,804 | 736,550 |
| **Claims and directly attributable expenses paid** | **(6,348,044)** | **(5,832,955)** |
| Risk claims | (5,185,582) | (4,726,002) |
| PMSA claims | (723,441) | (708,664) |
| Expenses | (382,827) | (344,589) |
| | (6,291,850) | (5,779,255) |
| PMSA refunds | (56,194) | (53,700) |

**Included in Insurance contracts liabilities**

| | 2023<br>R'000 | 2022<br>R'000 |
|---|---|---|
| **Personal Medical Savings Account monies** | **959,782** | **931,302** |
| Balance at the beginning of the year | 931,302 | 934,373 |
| Plus: | | |
| PMSA contributions received | 773,007 | 732,003 |
| Transfers received from other schemes | 4,797 | 4,547 |
| Interest on PMSA monies | 30,311 | 23,115 |
| Less: | | |
| PMSA claims | (723,441) | (708,664) |
| Refunds on death or resignation | (56,194) | (53,700) |
| Prescribed balance written off | - | (372) |

### 2.2 LIABILITY ATTRIBUTABLE TO FUTURE MEMBERS

| | 2023<br>R'000 | 2022<br>R'000 |
|---|---|---|
| Balance at the beginning of the year | 3,336,198 | 3,299,951 |
| Amounts attributable to future members (Note 3) | 6,304 | 36,247 |
| **Balance at the end of the year relating to Liability attributable to future members** | **3,342,502** | **3,336,198** |
| Current liability | 13,667 | 1,400 |
| Non-current liability | 3,328,835 | 3,334,798 |

## 3 INSURANCE REVENUE AND SERVICE EXPENSES

| | 2023<br>R'000 | 2022<br>R'000 |
|---|---|---|
| Insurance revenue | | |
| Insurance revenue from contracts measured under the PAA | 5,517,890 | 5,101,280 |
| Insurance service expenses | (5,792,874) | (5,266,155) |
| Incurred claims | (5,433,178) | (4,933,263) |
| Third-party recoveries | 23,131 | 11,697 |
| Directly attributable expenses | (382,827) | (344,589) |
| Accredited administration services | (221,956) | (199,240) |
| Accredited managed healthcare services (no risk transfer) | (148,974) | (134,073) |
| Other directly attributable expenses | (11,897) | (11,276) |
| Amounts attributable to future members (Note 2.2) | (6,304) | (36,247) |
| Insurance service expenses | (5,799,178) | (5,302,402) |
| Net (expense)/income from reinsurance contracts held | (4,707) | 16,091 |
| Reinsurance expense | (194,764) | (160,497) |
| Reinsurance income | 190,057 | 176,588 |
| **Total insurance service result** | **(285,995)** | **(185,031)** |

*Detail of accredited administration services, accredited managed healthcare services and net (expense)/income from reinsurance contracts held has been provided below:*

| | 2023<br>R'000 | 2022<br>R'000 |
|---|---|---|
| **Accredited administration services** | | |
| Member record management | 22,889 | 20,546 |
| Contribution management | 20,102 | 18,045 |
| Claims management | 25,325 | 22,733 |
| Financial management | 812 | 729 |
| Information management and data control | 41,046 | 36,845 |
| Customer services | 111,782 | 100,342 |
| | **221,956** | **199,240** |
| **Accredited managed healthcare services (no risk transfer)** | | |
| Clinical risk management | 46,223 | 41,597 |
| Hospital referrals and pre-authorisations | 41,807 | 37,476 |
| Medical provider network management | 38,870 | 34,844 |
| Pharmacy benefit management | 22,074 | 20,156 |
| | **148,974** | **134,073** |

## 3 INSURANCE REVENUE AND SERVICE EXPENSES (continued)

| | 2023<br>R'000 | 2022<br>R'000 |
|---|---|---|
| **Net (expense)/income from reinsurance contracts held** | | |
| Made up as follows: | | |
| Discovery Health (Pty) Ltd | (9,042) | 14,384 |
| Reinsurance expense | (188,117) | (152,103) |
| Claims recovered | 179,075 | 166,487 |
| Centre for Diabetes and Endocrinology (Pty) Ltd | 4,335 | 1,707 |
| Reinsurance expense | (6,647) | (8,394) |
| Claims recovered | 10,982 | 10,101 |
| | **(4,707)** | **16,091** |

## 4 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 financial assets not measured at fair value through profit or loss.

Interest income is recognised using the effective interest method, taking into account the principal amount outstanding and the effective interest 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.

Realised gains and losses represent amounts realised when investments at fair value through profit or loss have been derecognised through disposal. Unrealised gains or losses represent changes in fair value of these investments.

***Note***

| | 2023<br>R'000 | 2022<br>R'000 |
|---|---|---|
| Interest income from financial assets not measured at fair value through profit or loss | 6,582 | 9,947 |
| Investment income from investments held at fair value through profit or loss | 295,188 | 246,595 |
| - Dividend revenue from investments at fair value through profit or loss | 42,101 | 58,483 |
| - Interest revenue from investments at fair value through profit or loss | 253,087 | 188,112 |
| Net gains on investments at fair value through profit or loss | 114,543 | 47,575 |
| **Net investment income** | **416,313** | **304,117** |

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## 5 OTHER OPERATING EXPENSES

***Accounting policy***

Other operating expenses are expensed as incurred.

***Note***

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| Administration fees | 28,769 | 25,825 |
| Other services | | |
| Internal audit services | 3,402 | 3,054 |
| Marketing services | 11,703 | 10,506 |
| Forensic investigations and recoveries | 4,256 | 3,820 |
| Governance and compliance | 672 | 603 |
| Additional services | | |
| Quality management and monitoring services | 3,206 | 2,878 |
| Advanced data analytics | 2,674 | 2,400 |
| Digital service offering | 994 | 892 |
| Enhanced service offering | 532 | 478 |
| Enterprise risk management services | 532 | 478 |
| Legal services | 154 | 138 |
| Product innovation | 644 | 578 |
| Actuarial fees | 3,264 | 3,391 |
| Association fees | 747 | 694 |
| Communication expenses | 11,859 | 4,955 |
| Consulting fees | 2,249 | 2,514 |
| Depreciation | 183 | 214 |
| External audit fees | 1,630 | 1,284 |
| Fidelity guarantee and professional indemnity insurance premium | 239 | 228 |
| Internal audit fees | 844 | 893 |
| Legal fees | 692 | 824 |
| Levies - Council for Medical Schemes | 4,918 | 4,610 |
| Office lease and other rental charges | 892 | 1,572 |
| Other expenses | 8,267 | 6,556 |
| Principal Officer's remuneration | 4,603 | 4,313 |
| Staff costs | 20,450 | 19,378 |
| Trustee remuneration | 3,001 | 2,911 |
| | **92,607** | **80,162** |

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## 6 RELATED PARTY TRANSACTIONS

The Scheme is governed by the Board of Trustees which is constituted of 12 Trustees, six 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 Limited, FirstRand Limited and The Standard Bank of South Africa Limited 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 risk transfer arrangements 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.

## 6 RELATED PARTY TRANSACTIONS (continued)

### 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. All amounts are disclosed as absolute numbers.

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

| | 2023<br>R'000 | 2022<br>R'000 |
|---|---|---|
| ***Statement of Comprehensive Income*** | | |
| Compensation | | |
| Short-term employee benefits | 15,281 | 14,617 |
| Trustee remuneration | 3,001 | 2,911 |
| Contributions and claims | | |
| Insurance revenue | 1,168 | 925 |
| Incurred claims | 1,153 | 897 |
| Interest paid on Personal Medical Savings Accounts | 3 | 2 |
| ***Statement of Financial Position*** | | |
| Liability attributable to current members (PMSA balances) | 88 | 69 |

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

| Transactions | Nature of transactions and their terms and conditions |
|---|---|
| Compensation | This constitutes remuneration and consideration paid to Trustees and Executive Officers' short-term employee benefits. |
| Insurance revenue | 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. |
| Incurred claims | 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 Accounts | 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. |

## 6 RELATED PARTY TRANSACTIONS (continued)

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

| | 2023<br>R'000 | 2022<br>R'000 |
|---|---|---|
| ***Statement of Comprehensive Income*** | | |
| Actuarial fees | 3,264 | 3,391 |
| Administration fees | 250,725 | 225,065 |
| Road Accident Fund recoveries | 3,018 | 5,605 |
| Risk transfer premiums paid | 188,117 | 152,103 |
| Managed care: management services | 141,022 | 125,338 |
| | | |
| ***Statement of Financial Position*** | | |
| Financial assets at fair value through profit or loss: Participating employers | 872,049 | 782,170 |
| Cash and cash equivalents: Participating employers | 529,940 | 620,182 |
| Liability attributable to current members | 28,505 | 25,612 |

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 six 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 six 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.

## 7 NET RESULT PER BENEFIT OPTION

| 2023 | Bankmed Essential Plan R'000 | Bankmed Basic Plan R'000 | Bankmed Core Saver Plan R'000 | Bankmed Traditional Plan R'000 | Bankmed Comprehensive Plan R'000 | Bankmed Plus Plan R'000 | Consolidated R'000 |
|---|---|---|---|---|---|---|---|
| Insurance revenue | 110,949 | 838,818 | 1,344,456 | 805,032 | 2,140,913 | 277,722 | 5,517,890 |
| Insurance service expense | (60,622) | (705,675) | (1,119,840) | (898,909) | (2,635,490) | (372,338) | (5,792,874) |
| Net (expense)/income from reinsurance contracts held | (264) | (6,002) | 28 | 223 | 1,229 | 79 | (4,707) |
| Reinsurance expense | (7,260) | (170,535) | (2,840) | (3,205) | (10,021) | (903) | (194,764) |
| Reinsurance income | 6,996 | 164,533 | 2,868 | 3,428 | 11,250 | 982 | 190,057 |
| Insurance service result before distribution of amounts attributable to future members | 50,063 | 127,141 | 224,644 | (93,654) | (493,348) | (94,537) | (279,691) |
| Amounts attributable to future members | (66,315) | (195,908) | (308,495) | 59,795 | 416,618 | 88,001 | (6,304) |
| Insurance service result | (16,252) | (68,767) | (83,851) | (33,859) | (76,730) | (6,536) | (285,995) |
| Net investment income | 21,390 | 90,509 | 127,556 | 44,564 | 121,841 | 10,453 | 416,313 |
| Finance expenses on Personal Medical Savings Accounts | - | - | (13,064) | - | (15,841) | (1,406) | (30,311) |
| Net insurance and investment result | 5,138 | 21,742 | 30,641 | 10,705 | 29,270 | 2,511 | 100,007 |
| Asset management fees | (928) | (3,928) | (5,536) | (1,934) | (5,288) | (454) | (18,068) |
| Other operating expenses | (4,758) | (20,133) | (28,374) | (9,913) | (27,104) | (2,325) | (92,607) |
| Sundry income | 548 | 2,319 | 3,269 | 1,142 | 3,122 | 268 | 10,668 |
| Net result | - | - | - | - | - | - | - |

## 7 NET RESULT PER BENEFIT OPTION (continued)

| 2022 | Bankmed Essential Plan R'000 | Bankmed Basic Plan R'000 | Bankmed Core Saver Plan R'000 | Bankmed Traditional Plan R'000 | Bankmed Comprehen-sive Plan R'000 | Bankmed Plus Plan R'000 | Consolidated R'000 |
|---|---|---|---|---|---|---|---|
| Insurance revenue | 81,679 | 724,125 | 1,184,269 | 753,030 | 2,086,924 | 271,253 | 5,101,280 |
| Insurance service expense | (45,292) | (620,364) | (956,843) | (842,485) | (2,443,972) | (357,198) | (5,266,154) |
| Net income/(expense) from reinsurance contracts held | 537 | 14,748 | 103 | 143 | 516 | 44 | 16,091 |
| Reinsurance expense | (5,370) | (147,087) | (1,030) | (1,426) | (5,141) | (443) | (160,497) |
| Reinsurance income | 5,907 | 161,835 | 1,133 | 1,569 | 5,657 | 487 | 176,588 |
| Insurance service result before distribution of amounts attributable to future members | 36,924 | 118,509 | 227,529 | (89,312) | (356,532) | (85,901) | (148,783) |
| Amounts attributable to future members | (43,936) | (163,362) | (273,155) | 65,270 | 298,249 | 80,686 | (36,248) |
| Insurance service result | (7,012) | (44,853) | (45,626) | (24,042) | (58,283) | (5,215) | (185,031) |
| Net investment income | 10,146 | 63,241 | 84,314 | 35,111 | 102,236 | 9,069 | 304,117 |
| Finance expenses on Personal Medical Savings Account | - | - | (9,963) | - | (12,080) | (1,072) | (23,115) |
| Net insurance and investment result | 3,134 | 18,388 | 28,725 | 11,069 | 31,873 | 2,782 | 95,971 |
| Asset management fees | (589) | (3,672) | (4,893) | (2,038) | (5,937) | (527) | (17,656) |
| Other operating expenses | (2,607) | (15,100) | (24,344) | (9,244) | (26,556) | (2,311) | (80,162) |
| Sundry income | 62 | 384 | 512 | 213 | 620 | 56 | 1,847 |
| Net result | - | - | - | - | - | - | - |

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## 8 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 2023, the Scheme did not comply with the following Sections and Regulations of the Act.

**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 Traditional Plan, Comprehensive Plan and Plus Plan incurred insurance service result deficits for the year ended 31 December 2023, 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 (the CMS).

*Corrective action*
The benefits and contributions proposal approved by the CMS for 2023 included a budgeted loss. As required by the CMS, the Scheme continues to submit monthly management accounts reflecting the performance of the benefit options.

**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 2023, 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. Continuous improvement have been instrumental in timeous payment of contributions by employer groups.

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## 8 NON-COMPLIANCE MATTERS (continued)

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

*Nature and impact*

The Scheme holds investments, via various instruments, with Absa Bank Limited, FirstRand Limited, Landbank SOC Limited and The Standard Bank of South Africa Limited all of who are participating employers of the Scheme. The Scheme also banks with FirstRand Limited and therefore has various current accounts with this participating 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 banks, an investment portfolio excluding these participating employers would fail to diversify 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 CMS and received an exemption from this section of the Act. The exemption granted is effective from 7 April 2022 to 7 April 2025.

**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 Ninety One Absolute Opportunity and M&G 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 CMS and received an exemption from this section of the Act. The exemption granted is effective from 1 December 2022 to 30 November 2025.

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## 8 NON-COMPLIANCE MATTERS (continued)

### 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 the 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 the date 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 continues to comply 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.

### Disclosure of personal information

*Nature and impact*
Regulation 15J(2)(b) requires the Scheme to ensure that there are provisions in place for ensuring confidentiality of clinical and proprietary information, including the diagnosis and treatment pertaining to any beneficiary. Condition 7 of the Protection of Personal Information Act (POPIA) requires that personal information be kept secure against the risk of loss, unauthorised access, interference, modification, destruction or disclosure.

*Causes of failure*
During the year under review there were incidents where minor amounts of personal information were unintentionally shared, by the Scheme's administrator, with third-parties.

*Corrective action*
These incidents were reported to the Information Registrar as required. Remedial action taken included additional training and the strengthening of control systems.

### Non-compliance with Section 29(1)(o) – 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*
These identified claims are reprocessed and paid as far as possible.

# Understanding the IFRS 17 Accounting Standard

## INTRODUCTION

Bankmed ("the Scheme") is pleased to present its members with a revised version of the Annual Financial Statements, now compliant with the International Financial Reporting Standard 17: Insurance Contracts (IFRS 17). The implementation of IFRS 17 has brought substantial changes to how financial information is reported, aiming to enhance transparency and comparability across the insurance industry. This explanatory note has been included in the Annual General Meeting pack to provide a high-level understanding of these changes and their impact on our financial reporting. By incorporating this information, we aim to keep our members fully informed and ensure a level of clarity regarding the adjustments made to our Annual Financial Statements.

## BACKGROUND

IFRS, or International Financial Reporting Standards, are a set of accounting guidelines for collecting and presenting information in financial reports. These standards ensure that financial information is consistent, comparable, and credible worldwide, using a common accounting language.

IFRS 17 aims to enhance the consistent application of accounting principles, allowing users of financial statements to meaningfully compare the financial results of insurers. It specifically sets out the principles for the recognition, measurement, presentation, and disclosure of insurance contracts.

IFRS 17 is mandatory for annual reporting periods beginning on or after 1 January 2023. This includes the re-statement of comparatives for the previous reporting periods, meaning that for calendar year-ends, the re-statement applies from 1 January 2021. Implementation should be carried out as if IFRS 17 had always existed, necessitating the recalculation and reporting of the 2022 opening balances, originating from 2021 balances, and figures disclosed for 2022 as comparatives in the 2023 Annual Financial Statements.

IFRS 17 applies to all insurance contracts, which, in the context of a medical scheme, means each active membership is considered a contract. It also applies to reinsurance contracts, otherwise known as risk transfer arrangements.

Under IFRS 17, the Scheme must measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and any uncertainties related to these contracts.

In addition, under IFRS 17, insurance contracts are measured based on expected fulfilment cash flows. This represents the present value of current estimates of amounts the Scheme or insurer expects to collect from contributions or premiums, minus the payouts for claims, benefits, and directly attributable expenses, including an adjustment for the risk of these cash flows.

This means that under IFRS 17, no profits are recognised when a member joins or at the inception of the membership. Instead, the contractual service margin (CSM) represents the expected future profits for the contract, which are released, recognised, and reported over its lifetime.

IFRS 17 requires that the Scheme disclose information in the Notes to the Annual Financial Statements with sufficient detail to enable members to assess the effects of insurance contracts on the Scheme's financial position, performance, and cash flows, in conjunction with the primary financial statements.

## IMPACT OF IFRS 17 ON ANNUAL FINANCIAL STATEMENTS

The implementation of IFRS 17 brings significant changes to the Annual Financial Statements. Below is an outline of some key changes and their impacts on the Annual Financial Statements. For a detailed explanation, please refer to the comprehensive notes available in the full set of Annual Financial Statements on Bankmed's website www.bankmed.co.za

### 1. Personal Medical Savings Accounts

From a reporting perspective, Personal Medical Savings Accounts (PMSAs) form part of the insurance contracts as they cannot be held separately and are highly interrelated (members cannot benefit from one component without the presence of the other). Consequently, PMSAs are no longer reported separately on the Statement of Financial Position but are included under the Liability Attributable to Current Members. Personal Medical Savings Accounts monies are still disclosed as such in the Note related to the Liability Attributable to Current Members.

### 2. Cash Flows

The cash flows to fulfil an insurance contract include:

- Contributions
- Claims
- Acquisition cash flows
- Membership administration and maintenance costs
- Recoveries from past claims
- Any other costs specifically chargeable to the member under the terms of the contract

Cash flows not incurred to fulfil insurance contracts include:

- Investment returns
- Cash flows arising from reinsurance contracts
- Cash flows not directly attributable to the portfolio of insurance contracts

### 3. Reporting Structure

Medical schemes were required to make the following changes to their reporting structure:

- Medical schemes are considered mutual entities under IFRS 17. They are not-for-profit organisations, and reserves are non-distributable and kept for future claims.
- The cost of fulfilling an insurance contract includes certain directly attributable administration expenses. Other administration expenses are reported separately.
- The Liability for Incurred Claims (LIC) includes what was previously referred to as the Outstanding Claims Provision and what was previously reported as Insurance Payables under

Trade and Other Receivables. The LIC also now includes a risk adjustment provision for non-financial risk. This provision reflects the compensation the Scheme requires for bearing the uncertainty about the amount and timing of cash flows from non-financial risk as it fulfils insurance contracts.

- Insurance receivables are offset against the Insurance liabilities and reported as one net Insurance Contract Liability figure.
- Accumulated Funds, now referred to as the Liability Attributable to Future Members, are reported as part of the Scheme's liabilities and not as reserves.

## 4. Terminology Changes

| Old Terminology | | New Terminology |
|---|---|---|
| Risk Contribution Income | ⟶ | Insurance Revenue |
| Relevant Healthcare Expenditure | ⟶ | Insurance Service Expenses |
| Outstanding Claims Provision and Insurance Payables (included in) | ⟶ | Liability for Incurred Claims (LIC) |
| Accumulated Funds | ⟶ | Liability Attributable to Future Members |
| Personal Medical Savings Accounts monies | ⟶ | (Included in) Insurance Contract Liability |

## 5. Impact

IFRS 17 is a reporting standard and does not affect the actual business operations of the Scheme. The overall value within the Scheme remains unchanged. Only the reporting format has been altered after implementing this standard.

## PRE-AGM ONLINE SESSION WITH MEMBERS ON THE ANNUAL FINANCIAL STATEMENTS AND IFRS 17: 13 JUNE 2024, 16H00 – 17H30

Against the background outlined above, the Scheme believes that it will be helpful to members who are interested, to have a targeted information session, specifically on the Annual Financial Statements and IFRS 17. This will enable the Scheme to take the members who will have joined the session through a short presentation, and enable some interaction on questions that may arise. To this end, a separate invite will be sent to Bankmed principal members for such an online session, which will be held on 13 June 2024, from 16h00 to 17h30.

# Bankmed Trustee Fee Policy

Incorporating Independent Committee Members

## 1. OBJECTIVES OF THE POLICY

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

## 2. SCOPE

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

## 3. PRINCIPLES

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

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

Employer-appointed trustees may elect not to receive the fee in their personal capacity. In this event, the fee shall either be waived in writing or paid to the respective employer organisation, as directed by the trustee.

3.2 **The quantum of the fee.** In setting the quantum of the fee Bankmed acknowledges:

- That the role of the trustee is akin to that of a non-executive director. This means that the role of the trustee is primarily one of strategic oversight dealing with long term sustainability issues. The normal role of the trustee is therefore to provide a creative and informed contribution and to act as a constructive critic in looking at the objectives and plans devised by the executive team. Trustees should not be treated as employees with a 'portfolio' of day to day responsibilities for the scheme;
- Trustees carry personal liability for the oversight role of the scheme;
- That, as a medical scheme, Bankmed has a non-profit motive; and
- The public interest of providing affordable healthcare.

3.3 **Differentiating the fee.** Fees will typically vary according to the responsibility of the trustee or committee member. Fees for the board chair and the committee chair will therefore carry a premium over an ordinary member's fee.

## 4. THE FEE STRUCTURE

4.1 The fee will comprise of an attendance fee per scheduled meeting attended as per the sign-on register.

4.2 Persistent late coming and tardiness shall, at the discretion of the chair, result in non-payment, or pro-rata payment of the meeting fee. Disqualification of attendance fees shall be based on the holistic performance of the trustee as determined by the chair from time to time.

4.3 A fee will not be paid for non-attendance.

4.4 The fee shall be payable within 10 days of the meeting subject to the timely receipt of evidence of attendance (signed attendance register).

4.5 The proposed fees for the forthcoming year/cycle are set out in Appendix A.

## 5. SCHEDULED MEETINGS

5.1 Core meetings shall be scheduled in advance each year.

5.2 The number of core meetings that are expected to be held each year are indicated in Appendix B.

## 6. EXPENSES

6.1 Trustees and Independent Committee Members shall be reimbursed for all reasonable expenses incurred by them for attendance at the meetings, the annual strategy session, and the AGM.

6.2 Travel and accommodation requirements for attendance at these meetings shall be co-ordinated by Bankmed, in terms of Bankmed's Travel Policy.

6.3 Trustees shall be reimbursed for all reasonable and properly-documented travel, meal and accommodation expenses that were incurred for attendance at these meetings. Where Trustees and Independent Committee members may be travelling from outside the borders of South Africa, reimbursements will be capped at the lesser of the actual expenses, and what would be paid for a trip from a location furthest from the meeting venue, but within the borders of South Africa, as determined by the Principal Officer. The receipts and documentation associated with these expenses must be submitted to Bankmed's finance department.

## 7. TAXATION

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

## 8. CONSULTING SERVICES

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

## 9. CONFERENCES, WORKSHOPS AND TRAINING EVENTS

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

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

## 10. ANNUAL GENERAL MEETING

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

10.2 Trustee fees and all expense reimbursements shall be disclosed in the annual financial statements on an individual trustee basis, rather than on a 'globular' basis, in order to promote transparency.

10.3 The Annual Financial Statements are available to all members.

## 11. REVIEW OF FEES

Market trends will normally guide the remuneration committee in proposing any increases to the trustee fees. In addition, the fees shall be benchmarked to similar size restricted schemes, from time to time.

## 12. MONITORING AND REVIEW OF THE POLICY

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

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

## Appendix A: Bankmed Trustee Remuneration for 2023/2024

Bankmed Board of Trustee fees per meeting:

| Board of Trustees | Fee per Meeting 2022/2023 | Fee per Meeting 2023/2024 (Based on a 5% increase, rounded) |
|---|---|---|
| Chairman | R 34 100 | R 35 800 |
| Vice Chairman | R 25 600 | R 26 900 |
| Other Members | R 17 100 | R 18 000 |

Bankmed Committee fees for Trustees and independent committee members (for example - the Audit Committee members), but excluding independent Audit Committee members:

| Board of Trustees | Fee per Meeting 2022/2023 | Fee per Meeting 2023/2024 (Based on a 5% increase, rounded) |
|---|---|---|
| Chairman | R 21 200 | R 22 300 |
| Other Members | R 10 700 | R 11 200 |

Independent Audit Committee members:

| Board of Trustees | Fee per Meeting 2022/2023 | Fee per Meeting 2023/2024 (Based on a 5% increase, rounded) |
|---|---|---|
| Chairman | R 21 400 | R 22 500 |
| Other Members | R 10 800 | R 11 300 |

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 adhoc 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 2 980 per hour across the board, with a maximum cap of 6 hours. The R2 980 is based on the current fixed fee per meeting, for an ordinary Board member, of R18 000, divided by 6 hours (and rounded off to R2 980).

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

# Appendix B: Bankmed 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 maximum

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