



HIGHLIGHTS FROM THE 2019 ANNUAL FINANCIAL STATEMENTS AND NOTICE OF AGM

2019 AT A GLANCE



4 962

Average principal members

(2018: 5 133)



9 491

Average lives covered

(2018: 9 977)



R559.8m

Total investments

(2018: R545.7 million)



R48.9m

Net investment income

(2018: R22.6 million)



R557.7m

In reserves

(2018: R536.7 million)



R317.7m

Total contributions received

(2018: R307.3 million)



162.4%

Solvency ratio

(2018: 144.4%)



R344.2m

Total benefits paid

(2018: R343.2 million)



Chairperson's Report

After serving for the better part of 10 years as the Chair of the Society, I believe that the time has come for me to step down and to pass on the baton.

Following the completion of the Trustee elections that are currently in progress, a new Chairperson will be elected by the Trustees at their meeting in July. I will remain on the Board as an employer-appointed Trustee.

Our lives are being dominated by the COVID-19 pandemic and by the responses that are required to cope with the threat of this highly contagious disease.

There is a lot of fake news about the virus and I want to urge all our members to stay properly informed by using trusted sources of information only, such as:

- the [World Health Organisation website](#);
- our own Government's COVID-19 hotline - 0800 029 999 and [website](#); and

- Newsflashes and other communications sent to members by the Society.

As members are aware, the Society will cover out-of-hospital and in-hospital treatment for the virus in terms of our Rules and with reference to the Council for Medical Schemes' (the Council) guidelines in this regard.

It is with deep sadness that the Board learned that Hans Gastrow, a long-serving Trustee, had passed away on 2 November 2019.

Maintaining the highest standards of corporate governance is a key objective of the Trustees and Society Management, which was rated "AAA - Highest Application" in the King Report on Corporate Governance for South Africa 2009 (King III) assessment. Of the 405 governance practices recommended by the King Report on Corporate Governance for South Africa 2016 (King IV), 94% are either

currently being satisfactorily applied or else are not applicable – a very satisfactory outcome.

Our Society belongs to its members and does not need to make a profit. Thanks to the quality of its management, the Society is able to keep its operating costs within reasonable bounds. In addition, and because the Society has over the years built up reserves that far exceed the statutory solvency requirement for medical schemes, the Society has been able to partly subsidise members' contributions.

While the Society remains sustainable with good benefits for the time being, we continue to face challenges from our deteriorating demographics, with many more older than younger members. The Society also needs to deal with the above-inflationary increases in the costs of diagnostic technologies, medicines and treatments, both in and out of hospital, as well as with the abuse of benefits and fraud on the part of some members and service providers.

The Society employs various strategies to limit costs, such as contracts with Designated Service Providers.

The better it is able to control costs with the active cooperation of its members, the better the Society will be able to maintain the benefits that it offers.

Our members are privileged indeed to be served by individuals who take pride in a culture of service excellence. It is clear from feedback received from members that the commitment and dedication of the Society's staff (which are highly rated) are ensuring that the reasonable expectations of members and beneficiaries are being met and that they are being treated fairly.

I deeply appreciate the advice, guidance and support that I have received from my fellow Trustees, from the senior management of the Society and from the Society's service providers during my tenure in the chair. To all of them I offer my sincere thanks.



Colin Blanckenberg
Chairperson



Principal Officer and Board of Trustees' Review

THE GREAT UNKNOWN: COVID-19

While I am sitting here, writing this report, our country is still in the relatively early stages of the worldwide COVID-19 pandemic, and we are just coming to grips with the realities and challenges of lockdown. I salute our President for the firm steps he has taken to fight this stealthy enemy, and thank all our members for the role they have played in "flattening the curve".

Some negative effects of the pandemic can already be predicted, such as higher claims that the Society will have to cover, as well as lower investment growth as a result of COVID-19 induced market volatility.

We cannot predict just how hard COVID-19 will hit the Society and our members. With developed countries

across the world reeling under the onslaught of this virus, we are all uncertain about what the future holds for us as a country, as a medical scheme and as individuals. My heartfelt wish for all of us is that we will emerge on the other side of this pandemic and be able to say: "It was not as bad as we feared."

All I can say is that we will do our utmost for the Society to continue to be there for you when you need it most.

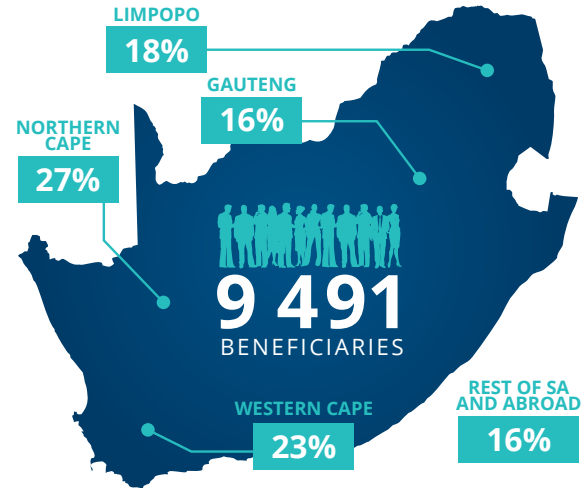
On that note I would now like to share with you the highlights of what the Society has done for members in 2019.



MEMBERSHIP

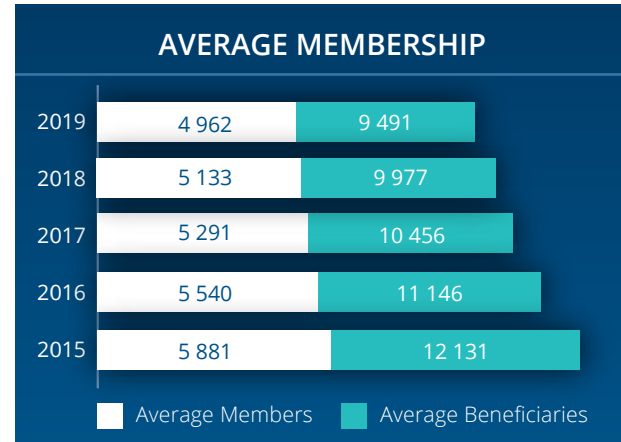
During 2019 the Society provided benefits to an average of 9 491 (2018: 9 977) beneficiaries located primarily in the Northern Cape (27%), Western Cape (23%), Limpopo (18%) and Gauteng (16%). The remaining beneficiaries are spread across the remainder of South Africa and abroad (16%).

The Society has experienced a further decrease in its membership and dependant ratio during the year under review because of the on-going organisational restructuring within the De Beers Group of Companies (De Beers) and member choice in relation to the registration of dependants.



The Society had 4 898 (2018: 5 048) principal members as at 31 December 2019, with a monthly average of 4 962 (2018: 5 133) for the year. The dependant ratio as at 31 December 2019 was 1: 0.91 (2018: 1: 0.93).

Since the membership of the Society is directly affected by the corporate activity within De Beers, the Board continues to monitor developments in this regard and interacts with the participating employers to evaluate the potential impact of such activity on the Society's membership. The Board is currently not aware of any corporate activity that would potentially have a significant impact on the Society in the short-term.



FINANCIAL RESULTS FOR THE YEAR

Relevant healthcare expenditure expressed as a percentage of contributions for the year decreased to 109.4% (2018: 112.7%) and the Society reflected a total comprehensive income for the year of R21.0 million (2018: Total comprehensive loss of R18.9 million) after incorporating investment and other income.

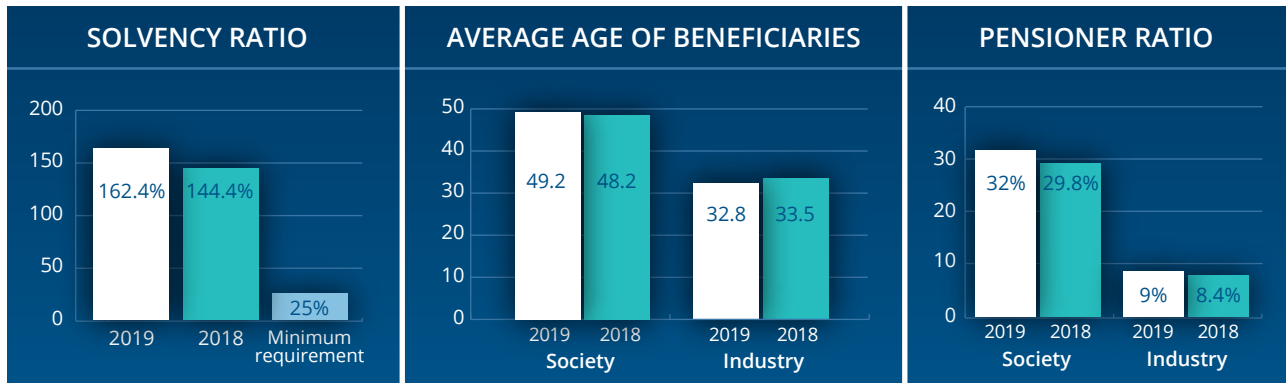


ACCUMULATED FUNDS AND SOLVENCY RATIO

The Society's accumulated funds have increased to R557.7 million (2018: R536.7 million). Its solvency ratio as at 31 December 2019 increased to 162.4% (2018: 144.4%).

The Board is cognisant of the fact that the Society's solvency ratio is substantially higher than the minimum of 25% required by the Medical Schemes Act of South Africa (the Act). It is also in excess of the Society's risk-based capital requirement, as determined by the

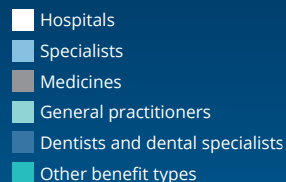
Actuary based on the Society's specific risk profile. This is reassuring, given the current regulatory framework, a rapidly evolving South African healthcare environment, the current COVID-19 pandemic, the on-going corporate activity within De Beers, the increasing average age of beneficiaries of 49.2 years (2018: 48.2) and the pensioner ratio of 32.0% (2018: 29.8%), both of which are significantly higher than the industry average of 32.8 years (2018: 33.2) and 9.0% (2018: 8.4%) respectively.



RELEVANT HEALTHCARE EXPENDITURE

Of the total net claims incurred in 2019, hospitals comprised 40% (2018: 40%), specialists 28% (2018: 27%), medicines 16% (2018: 17%), general practitioners 4% (2018: 4%), dentists and dental specialists 3% (2018: 3%) and other benefit types 9% (2018: 9%).

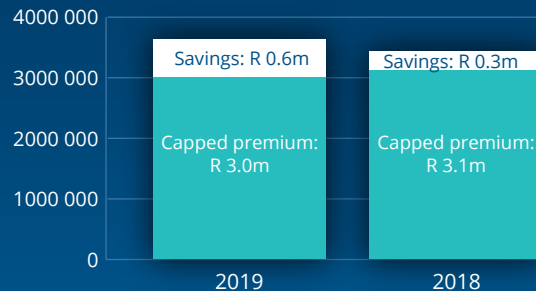
NET CLAIMS ANALYSIS



EMERGENCY MEDICAL TRANSPORT AND EVACUATION SERVICES

The Society maintains a fixed-fee capitation agreement with ER24 providing for emergency medical transport and evacuation services. The Society paid a premium of R3.0 million (2018: R3.1 million) to ER24 for the year. The total cost for emergency medical transport and evacuation services recovered in terms of this agreement amounted to R2.8 million (2018: R2.8 million) for the year. Had this agreement not been in place, the total cost for emergency medical transport and evacuation services, based on the ER24 private client rates, would have been R3.6 million (2018: R3.4 million).

SAVINGS ON ER24





EMPLOYER GRANT IN RESPECT OF PENSIONERS

The employer grant relates to a subsidy which is payable by De Beers Consolidated Mines (DBCM) in terms of agreements reached with DBCM after the termination of the membership of the Finsch Mine and Kimberley Mines employees (and the retention in the Society of the pensioner members associated with these mines) following the sale of the mines in September 2011 and January 2016, respectively. In terms of the agreements

DBCM agreed to subsidise any annual cross-subsidy deficit that may arise, to offset the associated negative impact on the Society.

The subsidy is calculated annually by the Actuary in terms of an agreed methodology. The total subsidy payable by DBCM for the year in terms of these agreements amounted to R22.1 million (2018: R18.3 million).

ELECTION OF MEMBER-ELECTED TRUSTEES

The member elected Trustees' term of office ends on 22 June 2020. The process to nominate and elect new Trustees commenced in September 2019. The Society received five valid nominations and voting will take place

until 30 April 2020. The election results will be announced by the Election Officer (Enslins Auditors) at the Annual General Meeting of members to be held on 22 June 2020.

COMPLIANCE AND GOVERNANCE

The Society's certificate of compliance with administration standards applicable to self-administered schemes was unconditionally renewed by the Council on 10 December 2019. The certificate expires on 9 December 2022.

In addition, following a comprehensive review and analysis of each principle and its associated practices as contained in King IV against the Society's current governance practices, a list of recommended actions has been compiled. Overall, the review did not indicate any significant shortcomings and following implementation of the agreed actions it is expected that the Society's

governance practices will be aligned to the King IV principles and associated practices, where relevant.

The Society's King IV Application Report that explains:

- how the Society has applied or not applied the principles set out in King IV;
- what actions are still required in terms of applying a specific principle; and
- where it is impossible to implement a practice or where such implementation is inappropriate;

has been published on the [Society's website](#).

IN CLOSING

2020 has already proven to be a year in which the Society will have to face various challenges from a number of sources, but we believe that the Society is well positioned to tackle these head-on.

We wish to thank the Trustees, Board Committee members, staff and service providers of the Society for their support, guidance, co-operation and dedication during the year under review and, in advance, for the year that lies ahead.

Take care and stay safe.



Stanley Mathonzi

Principal Officer and on behalf of the Board of Trustees

25 March 2020



FINANCIALS

FINANCIAL POSITION AS AT 31 DECEMBER 2019

	2019 R'000	2018 R'000
ASSETS		
Non-current assets	520 420	518 740
Property, plant and equipment	160	99
Intangible assets	76	2
Investments	520 184	518 639
Current assets	91 066	72 405
Investments	39 578	27 081
Trade and other receivables	26 177	22 110
Cash and cash equivalents	25 311	23 214
Total assets	611 486	591 145
FUNDS AND LIABILITIES		
Members' funds	557 734	536 687
Non-current liabilities		
Retirement benefits obligation	16 960	17 580
Current liabilities	36 792	36 878
Trade and other payables	16 418	15 090
Outstanding claims provision	20 374	21 788
Total funds and liabilities	611 486	591 145

FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 R'000	2018 R'000
Contribution income	317 659	307 317
Relevant healthcare expenditure	(347 572)	(346 431)
Net claims incurred	(344 152)	(343 165)
Accredited managed healthcare services	(3 220)	(3 050)
Net expense on risk transfer arrangement	(200)	(216)
<i>Risk transfer arrangement premiums paid</i>	(2 964)	(3 057)
<i>Recoveries from risk transfer arrangement</i>	2 764	2 841
Gross healthcare results	(29 913)	(39 114)
Administration expenditure: Benefit management services	(191)	(190)
Administration expenditure	(20 563)	(20 329)
Post-employment healthcare benefits	(995)	(995)
Net impairment reversals / (write-offs) on healthcare receivables	68	(80)
Net healthcare result	(51 594)	(60 708)
Other income	72 666	44 232
Investment income	50 487	25 892
Sundry income	22 179	18 340
Other expenditure	(3 526)	(3 757)
Asset management and monitoring costs	(3 500)	(3 728)
Foreign currency translation differences	(26)	(29)
Net surplus / (deficit) for the year	17 546	(20 233)
Other comprehensive income	3 501	1 355
Fair value through other comprehensive income adjustments	1 886	483
Post-employment healthcare benefits	1 615	872
Total comprehensive income / (loss) for the year	21 047	(18 878)

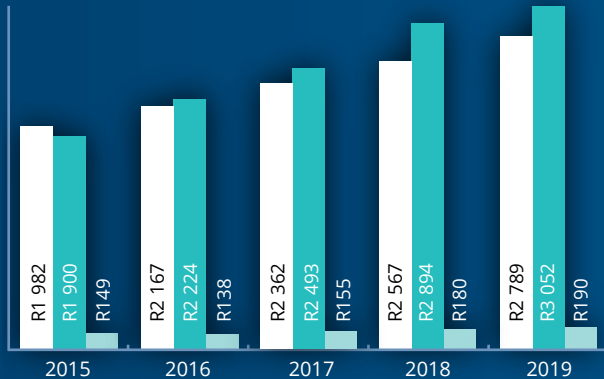
INVESTMENT ANALYSIS

	2019 R'000	2018 R'000
Linked insurance policies	432 664	414 552
Nedgroup Structured Life Taquanta Enhanced Income Fund	356 874	202 741
Alan Gray Life Domestic Balance Portfolio	75 790	211 811
Segregated portfolios <i>(Managed by Taquanta on behalf of the Society):</i>	127 098	131 168
Debt instruments	52 057	62 266
Listed property instruments	3 023	-
Money market instruments	72 018	68 902
Cash and cash equivalents	25 311	23 214
Total investments	585 073	568 934

SOLVENCY RATIO

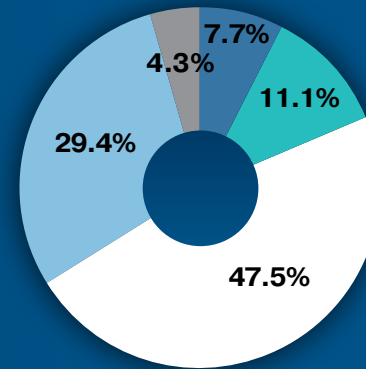
	2019 R'000	2018 R'000
Accumulated funds per Statement of Financial Position	557 734	536 687
Less: Unrealised gains	(41 758)	(92 942)
Accumulated funds per Regulation 29	515 976	443 745
Contribution income	317 659	307 317
Solvency ratio	162.4%	144.4%
Accumulated funds per member at 31 December	114	106

INCOME VS. EXPENDITURE RATIO PER BENEFICIARY PER MONTH



- Contributions per beneficiary
- Relevant healthcare expenditure (claims) per beneficiary
- Non-healthcare expenditure per beneficiary (administration)

ECONOMIC EXPOSURE OF INVESTMENTS



- Listed property instruments
- Equity instruments
- Debt instruments
- Money market instruments
- Cash and cash equivalents



NON-COMPLIANCE

The following instances of non-compliance with the Medical Schemes Act No 131 of 1998 (the Act) were identified during the year:

Section 33(2) – Society incurred a net healthcare deficit (loss)

During the year the Society incurred a net healthcare deficit of R51.6 million (2018: R60.7 million). This result is as expected and is aligned to the Society's reserve management strategy of ensuring the financial stability and viability of the Society over the foreseeable future. The strategy also takes account of the need for the Society to remain competitive in relation to benefits provided, contribution levels and administration costs.

The Society is financially sound in terms of Section 35 of the Act, as confirmed by the current level of accumulated funds and the Society's solvency ratio of 162.4% (2018: 144.4%). The financial soundness and sustainability of the Society is carefully considered and managed by the Board on an on-going basis, in consultation with the Actuary.

It is not the strategy of the Society to make a profit and its investment income and employer grant enables it to target a break-even position and to ameliorate any net

healthcare deficit. The Board monitors the actual results to ensure that the net healthcare deficit is in line with the budget and any material variances are analysed and corrective action is taken, where necessary.

Section 59(2) - Late payment of claims

The Society endeavours to pay all claims within 30 days of receipt, but the processing of some claims is occasionally delayed owing to unforeseen circumstances. Delays can, for example, occur when providers fail to supply the Society with their banking details or when claims are referred for clinical auditing or other investigations.

Claims that are not paid within 30 days are actively monitored to ensure their effective on-going management.

Section 35(8) - Investments in participating employers, other medical schemes, administrators or associated companies

The Society through its holdings in the Allan Gray Life Balanced Portfolio (linked insurance policy) holds indirect investments in companies associated with other medical schemes, administrators and participating employers.

The investment managers have full discretion over the investment decisions relating to these pooled investments.

The Society applied for an exemption from this section of the Act on 3 April 2019. Exemption was granted until 30 November 2022 by the Council.

Section 26(7) - Contribution income not received within three days of becoming due

There were an insignificant number of instances where the Society did not receive contributions from members within three days of them becoming due. This was mainly because of members having insufficient funds in their bank accounts at the time of collection, members exiting without informing the Society and reconciling discrepancies between participating employers and the Society. The risk of default is, however, small because of the restricted nature of the Society and participating employer base.

Contributions not received within three days are actively pursued and the benefit suspension policies are applied rigorously.

Category 7 of Annexure B to Regulation 30 – Limitation on assets exceeded

This contravention is as a result of the reclassification by the Council of credit-linked notes from debt instruments (maximum limit of 10% per institution) to other assets (maximum limit of 2.5%) based on the Johannesburg Stock Exchange's (JSE) classification thereof, which implies that these instruments have exposure to embedded derivatives.

The Society through its holdings in the Nedgroup Structured Life Taquanta Enhanced Income Fund (linked insurance policy) holds indirect investments in these credit-linked notes. The investment managers have full discretion over the investment decisions relating to these pooled investments.

The Society has provided the Council with confirmation from the investment managers that these instruments do not have exposure to embedded derivatives. These instruments will therefore be classified either as Category 2(a): Bonds – Inside the Republic or Category 2(b): Bonds – Territories outside the Republic for Annexure B to Regulation 30 of the Act purposes, as per past practice.

Section 57(2) - Board composition

Section 57(2) of the Act states that at least 50% of the members of the Board of Trustees shall be elected from amongst members. As at 31 December 2019, the Board of Trustees was made up of three member-elected Trustees and four employer-appointed Trustees. This was as a result of the passing of Mr HG Gastrow, a member-elected Trustee, on 2 November 2019.

The remaining member-elected Trustees have subsequently filled the vacancy with an eligible member in terms of Rule 18.7, since there were no eligible candidates available from the last general election to fill the vacancy.

Mr J Soyizwaphi was appointed as a member-elected Trustee effective 19 March 2020 and will serve the remainder of the current five-year term of office that will end on 22 June 2020.

In addition, all decisions made at the meeting held on 5 December 2019 were ratified at a meeting held on 25 March 2020.

NOTICE OF AGM

With the COVID-19 pandemic and the current lockdown posing some unique challenges, this year's Annual General Meeting (AGM) will be hosted virtually. For further information in this regard visit the website www.dbbs.co.za.



131st Annual General Meeting of the members of the De Beers Benefit Society



Monday, 22 June 2020



10h00

2019
AT A GLANCE

CHAIRPERSON'S
REPORT

PO'S & BOARD'S
REPORT

FINANCIALS

NON-
COMPLIANCE

NOTICE
OF AGM

MORE
INFORMATION

AGENDA

The purpose of this meeting will be to:

1. approve the minutes of the 130th Annual General Meeting held on 15 May 2019;
2. receive and adopt the annual financial statements of the Society, the report of the Board of Trustees and the report of the auditors for the year ended 31 December 2019;
3. consider the re-appointment of auditors for the year ending 31 December 2020, as provided for in terms of Rule 25.1;
4. approve the Trustee Remuneration Policy;
5. approve that the remuneration payable per meeting attended by Trustees and Board Committee members who are not employees of the Employer or Associated Employers, be increased from R4 690 to R4 929 effective from 1 January 2020, as provided for in Rule 18.25;
6. announce the result of the elections of member-elected Trustees held in terms of Rule 18.5 and

confirm their appointment as required by Rule 18.2; and

7. transact such business as may be transacted at the Annual General Meeting, subject to the Rules of the Society.

PROXY

Should any principal member wish to be represented at the Annual General Meeting by proxy, such member should contact the Society for an official proxy form. Completed proxy forms should reach the Society's offices by the close of business on 19 June 2020.

NOTICES OF MOTION

Please take note that, in terms of Rule 26.1.5, notices of motion to be placed before the Annual General Meeting must reach the Principal Officer no later than seven business days prior to the date of the meeting.

By order of the Board of Trustees

S MATHONZI
PRINCIPAL OFFICER
 25 March 2020



WOULD YOU LIKE TO KNOW MORE?

ABOUT THE IMPACT OF COVID-19

Since 31 December 2019 the spread of COVID-19 and the measures taken to contain the spread of the virus have severely impacted many businesses and economies around the world.

At this stage the impact of the COVID-19 pandemic on the Society can, however, not be reliably estimated.

In addition, investment markets around the world have experienced significant volatility as a result of COVID-19 and other factors (in the case of South Africa the recent downgrade by Moody's, for example). As at 30 April 2020 the Society's financial assets at fair value through profit or loss and comprehensive income have only increased to R559 908 052 (31 December 2019: R559 761 572). While governments have reacted with several interventions designed to stabilise economic conditions, the future impact on investment markets cannot be reliably estimated.



The sensitivity analysis of the Society's solvency ratio, after allowing for the above impact on investments and the estimated Covid-19 related claims, indicated that the solvency ratio could decrease between 8.3% (low impact scenario) and 25.9% (high impact scenario).

Accordingly, the Society's financial position and results for the year ended 31 December 2019 have not been adjusted to reflect the potential impact of the above.

Given the Society's current level of reserves and its solvency ratio of 162.4%, it is anticipated that the Society will be able to continue as a going concern.

ABOUT THE 2019 ANNUAL FINANCIAL STATEMENTS

These highlights from the annual financial statements are presented in considerably less detail than the audited annual financial statements, which are prepared in accordance with International Financial Reporting Standards (IFRS), as defined by IAS1 and the interpretations issued by the IFRS Interpretations Committee, with guidance from the Medical Schemes Accounting Guide issued by the South African Institute of Chartered Accountants (SAICA) and in the manner

required by the Act. They contain additional disclosures, such as insurance risk and financial risk management.

For a more comprehensive understanding of the Society's financial position and the results of its operations, the highlights from the annual financial statements should be read in conjunction with the audited annual financial statements.

If you would like to obtain a full set of the financials, please do one of the following:



Contact the Society's Communications Department on 053 807 3363 or david.datnow@dbbs.co.za.



Download the full set of the financial statements from the Society's website.

The highlights from the annual financial statements for 2019 were derived from the complete set of audited annual financial statements and were compiled in terms of the Rules of the Society and in accordance with Circular 6 of 2013 issued by the Council.

The purpose of this document is to give the reader a broad overview of the financial position and results of the Society, without providing the level of detail that may be found in the annual financial statements.