



BENEFIT BEAT

Highlights from the Annual Financial Statements 2013

Society Turns 125 Years

The De Beers Benefit Society (The Society), the oldest registered medical scheme in South Africa, will celebrate 125 years of existence in 2014. The Society was first registered under the Friendly Societies Act of 1882 of the Cape of Good Hope on 14 February 1889 after the occurrence of a disastrous fire at the De Beers Mine, Kimberley in 1888. Following an amalgamation with the Kimberley Central Company Benefit Society in 1890, it had 942 members.

The Society is a self-administrated, not-for-profit restricted medical scheme registered in terms of the Medical Schemes Act, Act 131 of 1998, (the Act) as amended, under registration number 1068. Its purpose is to grant medical assistance to members and pensioners of the De Beers Group of Companies. During 2013 the Society provided benefits to 12 492 beneficiaries located primarily in the Northern Cape (30%), Western Cape (21%), Gauteng (20%) and Limpopo (17%). The remaining beneficiaries are spread across South Africa and abroad (12%).

Financial results for the year

Relevant healthcare expenditure (claims) expressed as a percentage of contributions for the year decreased to 93.5% (2012: 94.7%) and the Society reflected a total comprehensive income for the year of R42 293 290 (2012: R29 116 873) after incorporating investment income. The return on investments for the year was 10.6% (2012: 8.9%).

Membership

The membership of the Society remained stable over the past two years with the total number of principal members as at 31 December 2013 amounting to 5 926 (2012: 5 988) with an average for the year of 5 947 (2012: 6 002). The average beneficiaries reduced from 12 741 to 12 492.

Since the membership of the Society is directly impacted by any corporate activity within the De Beers Group of Companies, the Board continues to monitor announcements made in order to evaluate the potential impact on the Society's membership. The Board is not aware of any corporate activity

that will have a significant impact on the Society in the short-term.

Emergency ambulance services

The Society operates a fixed-fee capitation agreement with ER24 for emergency medical transport and evacuation services. The Society paid a premium of R1 134 935 (2012: R1 137 649) for the year. The total cost that would have been incurred if this agreement was not in place was R1 903 994 (2012: R1 297 079).

Employer grant in respect of Finsch Mine pensioners

As previously reported, the termination of the membership of Finsch Mine employees and the retention of pensioner members associated with the mine, as a consequence of the sale of the mine in September 2011, had financial consequences for the Society.

De Beers Consolidated Mines (DBCM) agreed to subsidise any resultant annual cross-subsidy liability deficit that may arise in order to offset any associated negative impact on the remaining members of the Society. The total subsidy payable by DBCM for the year ended 31 December 2013 in terms of this agreement amounted to R1 059 000 (2012: R753 000).

Accumulated funds and solvency ratio

The Society's accumulated funds have grown to R444 872 406 (2012: R402 579 116) and its solvency ratio as at 31 December 2013 increased to 161% (2012: 160%). The Board is cognisant of the fact that the Society's solvency ratio is substantially higher than the minimum 25% required by the Act.

The Board remains of the opinion that maintaining the current level of accumulated funds is a prudent measure to help ensure the financial stability and viability of the Society over the long-term. This is even more relevant in the current regulatory framework, a rapidly evolving South African healthcare environment and in view of the ever-increasing average age (43.2 years) of beneficiaries

The year under review represents a period of stability for the Society, both financially and in terms of membership.

and pensioner ratio (19.9%), which is significantly higher than the industry average of 32.0 years and 7.1%, respectively.

Sustainability and other key developments

The sustainability of the Society is carefully considered and managed by the Board on an on-going basis.

The Board continues to subject the Society to regular actuarial modelling and oversight aimed at monitoring and taking steps to inter alia counter the membership demographic changes, as well as claiming trends which may impact on the Society's competitiveness and sustainability. The Society has also appointed CareGauge during the year to make use of their Diagnostic Related Groups (DRGs) to measure hospital and other healthcare service providers' efficiency levels and performance.

Following a due diligence review, Dis-Chem Pharmacies and Pharma Logistical Solutions trading as Dis-Chem Direct were appointed as designated service providers for the supply of chronic medication, effective 7 June 2013.

Benefits provided by the Society, contribution levels and administration costs remain competitive and are in some cases better than the industry average. Based on this, the Board remains of the opinion that the Society offers good value for money to its members and remains sustainable as a self-administered restricted scheme.

The Society's certificate of compliance with administration standards applicable to self-administered schemes was unconditionally renewed by the Council for Medical Schemes (the Council) in December 2013. The certificate expires on 9 December 2016.

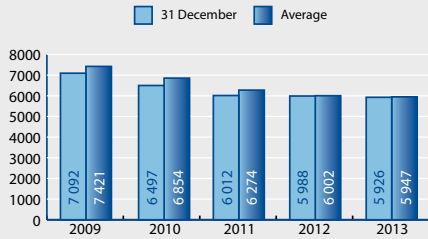
Relevant healthcare expenditure

Of the total net claims incurred in 2013, hospitals comprised 39% (2012: 39%), specialists 24% (2012: 23%), medicines 19% (2012: 20%), general practitioners 6% (2012: 6%), dentists and dental specialists 4% (2012: 4%) and other benefit types 8% (2012: 8%).

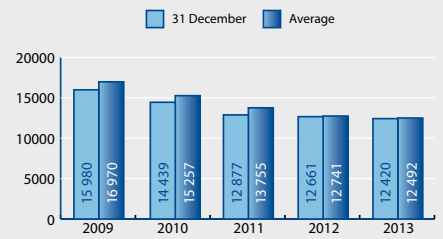
The highlights from the annual financial statements for 2013 were derived from the complete set of audited annual financial statements and were compiled in terms of the Rules of the Society and in accordance with Circular 6 of 2013 issued by the Council for Medical Schemes. The purpose of this document is to give the reader a broad overview of the financial position and results of the Society, without providing the level of detail that will be found in the annual financial statements. A full set of the annual financial statements may be obtained from the website (www.dbbs.co.za) or a copy may be requested from the Society.

Key information at a glance

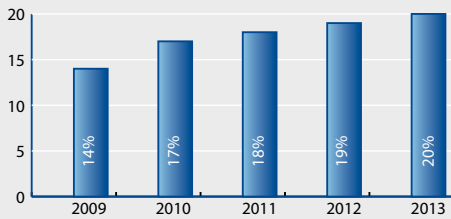
Average membership



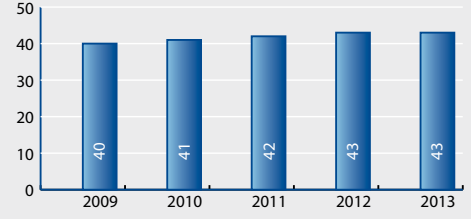
Average beneficiaries



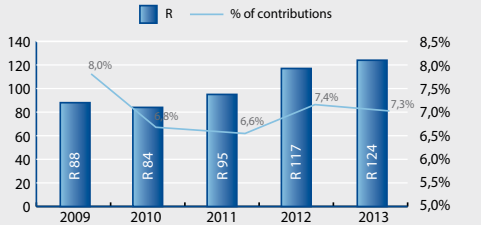
Pensioner ratio (65 years and older)



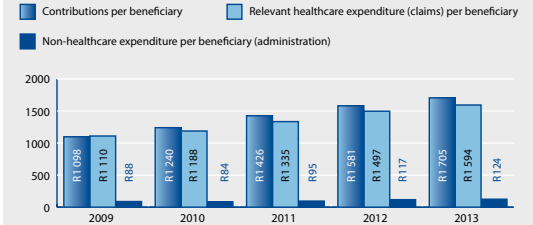
Average age of beneficiaries



Administration expenses



Income vs. expenditure ratio per beneficiary per month



Solvency ratio

Accumulated funds per Statement of Financial Position	
	Less: Unrealised gains
Accumulated funds per Regulation 29	
Net contributions	
	Solvency ratio
Accumulated funds per beneficiary at 31 December	

2013	2012
R '000	R '000
444 872	402 579
(34 229)	(15 294)
410 643	387 285
255 522	241 793
161%	160%
36	32



Financial position as at 31 December 2013

	2013 R'000	2012 R'000
Assets		
Non-current assets	394 703	360 884
Property, plant and equipment	199	186
Intangible assets	126	161
Financial assets at fair value through profit or loss	394 378	360 537
Current assets	88 176	76 527
Financial assets at fair value through profit or loss	59 388	50 453
Trade and other receivables	4 501	6 694
Cash and cash equivalents	24 287	19 380
Total assets	482 879	437 411
Funds And Liabilities		
Members' funds		
Accumulated funds	444 872	402 579
Non-current liabilities		
Retirement benefits obligation	14 128	12 609
Current liabilities	23 879	22 223
Trade and other payables	8 751	10 523
Outstanding claims provision	15 128	11 700
Total funds and liabilities	482 879	437 411

Financial results for the year ended 31 December 2013

	2013 R'000	2012 R'000
Contribution income	255 522	241 793
Relevant healthcare expenditure	(238 979)	(228 918)
Net claims incurred	(239 748)	(229 078)
Net income on risk transfer arrangement	769	160
Risk transfer arrangement premiums	(1 135)	(1 137)
Recoveries from risk transfer arrangement	1 904	1 297
Gross healthcare results	16 543	12 875
Managed care: Management services	(1 449)	(1 313)
Administration expenses	(15 743)	(14 492)
Post-employment healthcare benefits	(1 519)	(2 073)
Net impairment reversals (write-offs) on healthcare receivables	56	(60)
Net healthcare result	(2 112)	(5 063)
Other income	47 037	36 505
Investment income	45 882	35 199
Sundry income	1 155	1 306
Other expenditure		
Asset management and monitoring costs	(2 632)	(2 325)
Total comprehensive income for the year	42 293	29 117



Investment Analysis

	2013 (R'000)	2012 (R'000)
Linked insurance policies and collective investments schemes:		
Prescient Yield QuantPlus Fund and Stable Income Fund	127 289	97 425
Alan Gray Life Domestic Balance Portfolio	141 343	123 226
Segregated portfolios (Managed by Taquanta and Prescient on behalf of the Society):		
Debt instruments	65 462	47 262
Money market instruments	119 672	143 077
Cash and cash equivalents		
Cash at bank and on hand	24 287	19 380
Total investments	478 053	430 370
Return on investment	10.6%	8.9%

Non-compliance

The following instances of non-compliance with the Act were identified during the year:

1. Financial soundness of benefit option

In terms of Section 33(2) of the Act each benefit option shall be self-supporting in terms of membership and financial performance.

Cause of non-compliance

During the year the Society incurred a net healthcare deficit (before investment income) of R2 111 810 (2012: R5 063 413). This result, as expected, was fully covered by the Society's investment income and is aligned with the Society's strategic objective of ensuring the financial stability and viability of the Society over the long-term. The strategy also takes account of the need for the Society to remain competitive in relation to benefits provided, contribution levels and administration costs.

Corrective action

The Society is financially sound as confirmed by the current level of accumulated funds, the total comprehensive income for the year after incorporating investment income and the Society's solvency ratio of 161% (2012: 160%).

It is not the strategy of the Society to make a profit and the investment income enables it to target a breakeven 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 taken where necessary.

2. Investments in other medical schemes, administrators or associated companies

Section 35(8) of the Act states that a medical scheme shall not invest any of its assets in other medical schemes, any administrator or companies associated with other medical schemes and administrators.

Cause of non-compliance

The Society through its holdings in the Allan Gray Life Balanced Portfolio (linked insurance policy) and Prescient Stable Income Fund (collective investment scheme) holds indirect investments in a number of companies associated with other medical schemes and administrators. The investment managers have full discretion over the investment decisions relating to these pooled investments.

Corrective action

The Society applied for an exemption from this section of the Act which was granted by the Council on 7 March 2013.

3. Payment of claims within 30 days

Section 59(2) of the Act requires that a medical scheme pay a valid claim submitted to the scheme within 30 days after the day on which the claim was received.

Cause of non-compliance

A number of hospital claims were paid after 30 days due to a delay in the processing and authorisation of

the claims by the managed healthcare organisations contracted by the Society for this purpose.

Corrective action

A comprehensive review of the contractors' hospital utilisation management and claims payment process, including the associated systems, has been conducted by management. In response to the results of the review a robust action plan has been implemented to rectify and address the issues identified to prevent a re-occurrence.

4. Contribution income not received within three days of becoming due

In terms of Section 26(7) of the Act, contribution income shall be received within three days of becoming due in terms of the Rules.

Cause of non-compliance

There were an insignificant number of instances where the Society did not receive all contributions within three days of becoming due. This is mainly due as a result 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 employer base.

Corrective action

Contributions not received within three days are actively pursued and suspension policies are in place and applied.

Notice of AGM

Notice is hereby given to members that the 125th Annual General Meeting of the De Beers Benefit Society (the Society) will be held in the De Beers Consolidated Mines Boardroom, 36 Stockdale Street, Kimberley on Wednesday, 14 May 2014 at 12h00.

Agenda

The purpose of this meeting will be to:

1. Approve the minutes of the 124th Annual General Meeting held on 15 May 2013;
2. Receive and adopt the annual financial statements of the Society, the report of the Board of Trustees and of the auditors for the year ended 31 December 2013;
3. Consider the re-appointment of auditors for the year ending 31 December 2014, as provided for in Rule 25.1;
4. Approve that the honorarium payable per meeting attended by Trustees and Board Committee members who are not employees of the Employer or associated Employers be increased from R3 257 to R3 485 effective from 1 January 2014, as provided for in terms of Rule 18.21. The increase in the honorarium is aligned to the De Beers Pension Fund annual pension increase of 7%; and
5. 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 close of business on 13 May 2014.

Notice 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.

L COETZEE
PRINCIPAL OFFICER
27 March 2014

Would you like to know more?

The 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 IAS 1 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 Medical Schemes 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 result of 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 financials, please do one of the following:

- Contact the Society's communications department on 053 807 3363;
- Collect the financials from the Society's Offices at Kimberley House, 84 Du Toitspan Road, Kimberley;
- Write to the Principal Officer at PO Box 1922, Kimberley, 8300, and request to have a copy mailed to you; or
- Download the full set of financial statements from the Society's website, at www.dbbs.co.za.