



HIGHLIGHTS FROM THE
2021 Financial Statements
AND NOTICE OF AGM

2021 at a glance



4 660

Average principal members

(2020: 4 823)



8 765

Average lives covered

(2020: 9 142)



R632.1 m

Total investments

(2020: R613.2 million)



R43.5 m

Net investment income

(2020: R33.5 million)



R629.5 m

In reserves

(2020: R605.8 million)



R336.3 m

Total contributions received

(2020: R331.1 million)



187.1%

Solvency ratio

(2020: 182.1%)



R346.8 m

Total benefits paid

(2020: R307.7 million)



Chairperson's Report



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Reflecting on the 2021 benefit year evokes mixed feelings. I am saddened by the ongoing impact of the pandemic, yet heartened by the role that the Society could again play in helping our members and their dependants to manage their health.

The impact of Covid-19

The impact of Covid-19 is evident in our records, with more than a hundred of our beneficiaries having lost their lives to it by 28 February 2022. On behalf of the Board and Society Management, I extend my sincerest condolences to their bereaved families.

A large number of beneficiaries contracted the disease, and many utilised their Society benefits to cover treatments related to Covid-19 infections and complications. It has also become evident that the pandemic has had a significant impact on most people's emotional and general wellbeing.

The pandemic has also had a financial impact on the Society over the past year. Whereas the hard lockdown during most of 2020 resulted in far lower expenditure in relation to elective surgeries and hospital admissions,

and even routine medical consultations, the Society experienced a marked increase in claims during 2021 as the vaccine rollouts gained momentum and the restrictions were relaxed. This resulted in increased year-on-year expenditure in many of the healthcare categories. Despite this, the Society's total relevant healthcare expenditure, expressed as a percentage of contributions for the year, was still 11% lower than was allowed for in the Society's 2021 budget.

As at 28 February 2022 the Society has incurred Covid-19 related healthcare costs in excess of R38.7 million since the start of the pandemic. This amount reflects not only what was spent on beneficiaries who became ill and needed treatment, but also what the Society has covered in terms of vaccines, with almost 3 700 beneficiaries having received at least one dose of the vaccine by 28 February 2022.

On the topic of Covid-19 vaccines

With vaccination programmes worldwide showing that Covid-19 vaccines have a definite effect in terms of limiting the spread of the disease and reducing potential fatalities, I am heartened by how many beneficiaries (including

Society Trustees and staff) have already been vaccinated. Experts now also recommend the use of booster doses to improve protection against Covid-19 infections and to prevent the potential resulting health complications. I would therefore like to encourage any eligible beneficiaries who have not yet gone for their vaccination (including the booster dose) to do so without delay.

Member App, a great success

One of the highlights of the year under review has been the launch of the Society's very own Member App. So far, more than 1 240 beneficiaries have downloaded and registered on the App and are checking their benefits on the go, sharing their member cards with service providers, and submitting claims directly from their phones or other mobile devices – to name but a few of the features available on the Member App.

Looking to the future

Lifestyle diseases such as high blood pressure, cholesterol, and diabetes have become an increasing healthcare burden over the past decades. And it is becoming clear

that Covid-19 also poses many potential long-term health implications.

The Society is therefore exploring the introduction of a disease risk management programme, which will aim to identify and support beneficiaries who are at risk of developing chronic conditions, suffering complications as a result of their existing chronic condition(s), or experiencing an advancement of their existing chronic condition(s). I hope to be able to expand on this initiative in my next report.

Finally, a word of thanks

I would like to thank the Society Management for their diligence and excellent service delivery during yet another challenging year, as well as my fellow Trustees and non-Trustee Board Committee members for their ongoing support and dedication. We will continue to do our utmost to be there for you in your time of need.

Craig Coltman
Chairperson
April 2022



Principal Officer's Report

Although our Chairperson has already reflected in his report on the impact of the Covid-19 pandemic on the Society during 2021, I would like to touch on some key facts and statistics as reflected in our financial statements.

Regardless of several Society staff members having tested positive for Covid-19, the Society experienced limited disruptions to its operations during the year under review. The majority of our staff members have also received their Covid-19 vaccines. The required health and safety protocols continue to be enforced to keep the Society's staff, and beneficiaries visiting the offices, safe.

Many businesses and economies around the world started to show some recovery as vaccine rollouts gained momentum and restrictions were relaxed, which also had an impact on the Society's financial results, in particular

in relation to the total claims incurred. This impact was mainly as a result of the following:

- An increase in the utilisation of non-critical and out-of-hospital healthcare services, such as dentistry and general practitioner/specialist visits; and
- A marked increase in elective surgeries that were put on hold during 2020, resulting in an increase in hospital admission requests.

As a result of the above:

- The total claims incurred during the year under review were generally higher;
- The Society's relevant healthcare expenditure (total claims incurred) for the year, expressed as a percentage of contributions, increased to 104.1% (2020: 94.1%); and
- Members' funds increased by only 3.9% (2020: 8.6%).

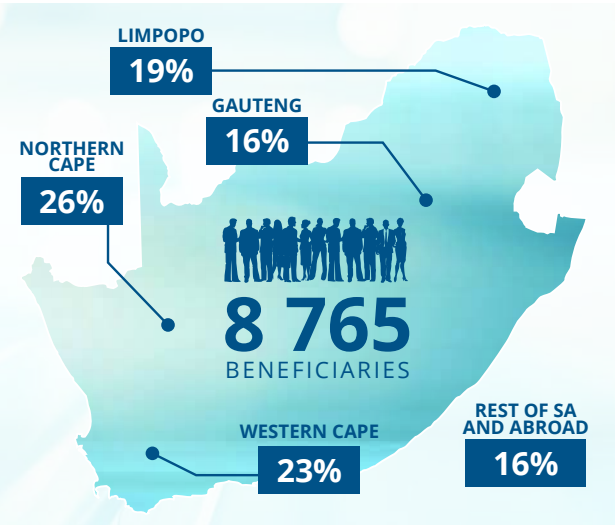
Investment markets also started to show some recovery during the year under review with the FTSE/JSE All Share Index (ALSI) returning 29.2% (2020: 7.0%), the All-Bond Index returning 8.4% (2020: 8.7%), and cash returning 3.8% (2020: 5.4%). The Society's return on investments for the year under review was 7.1% (2020: 6.3%), compared to the 6.0% calculated at the time of conducting the Society's 2021 benefit design and pricing review.

Although the recent Russian invasion of Ukraine has created further uncertainty around the world, also in terms of the financial impact that this conflict may have, the Society has no direct or indirect investment holdings in Russia. At this stage it is estimated that the negative impact that this conflict may have on the Society's exposure to certain listed companies will not be material.

For now, however, I would like to reflect on our results for 2021.

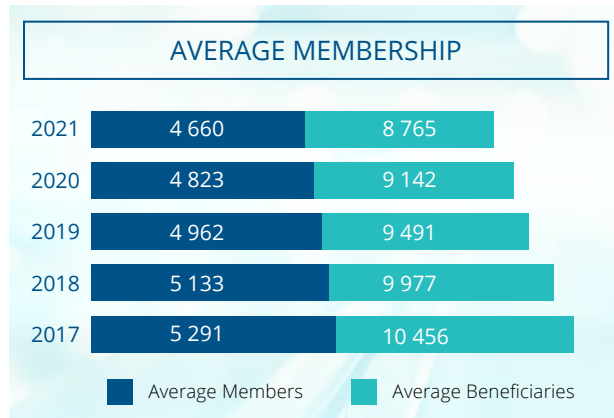
Membership

During 2021 the Society provided benefits to an average of 8 765 (2020: 9 142) beneficiaries located primarily in the Northern Cape (26%), Western Cape (23%), Limpopo (19%), and Gauteng (16%). The remaining beneficiaries are spread across the remainder of South Africa and abroad (16%).



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

The Society had 4 608 (2020: 4 739) principal members as at 31 December 2021, with a monthly average of 4 660 (2020: 4 823) for the year. The dependant ratio as at 31 December 2021 was 1: 0.87 (2020: 1: 0.89).



Since the membership of the Society is directly affected by any corporate activity within De Beers, the Society continues to monitor any announcements made in this regard and interacts with the participating employers to evaluate the potential impact of such activity on the Society's membership. The Society has received a notification from the Employer on 23 March 2022 advising that employees who are members of the National Union of Mineworkers (NUM) and meet certain criteria will be given an opportunity to either move from the Society to Umvuzo Health or back to the Society until 31 May 2022.

Financial results for the year

The Society reflected a total comprehensive income for the year of R23.7 million (2020: R48.1 million) after incorporating investment and other income.

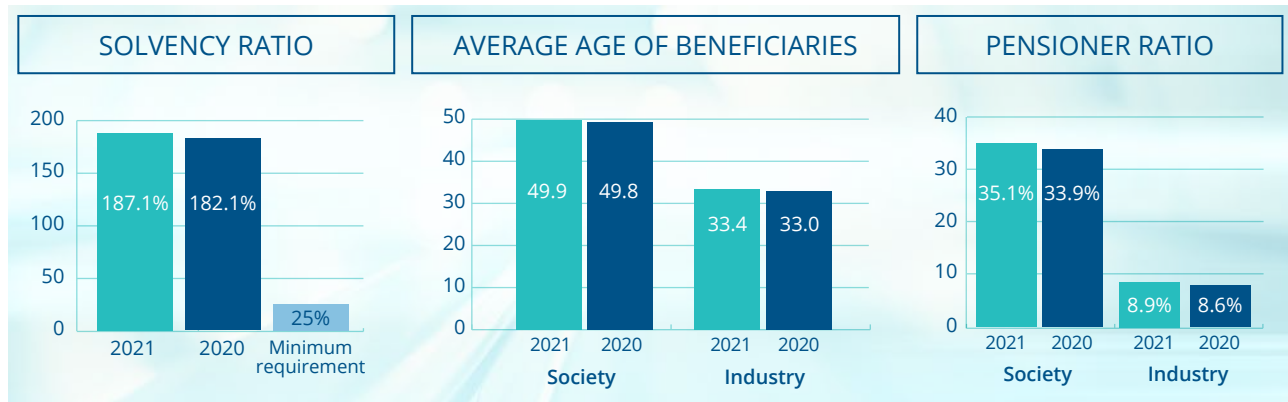


Accumulated funds and solvency ratio

The Society's accumulated funds have increased to R629.5 million (2020: R605.8 million) and its solvency ratio to 187.1% (2020: 182.1%) as at 31 December 2021.

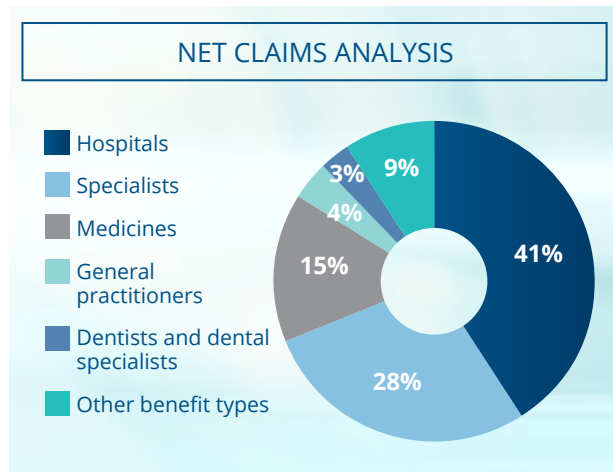
We remain cognisant of the fact that the Society's solvency ratio is substantially higher than the minimum of 25% required by the Medical Schemes Act of South Africa (the Act). It is also in excess of the Society's risk-based capital requirement, as determined by the Society Actuary based

on the Society's specific risk profile. This is reassuring in view of Covid-19, the current regulatory framework, a rapidly evolving South African healthcare environment, the ongoing corporate activity within De Beers, as well as the increasing average age of beneficiaries of 49.9 years (2020: 49.8) and the pensioner ratio of 35.1% (2020: 33.9%), both of which are significantly higher than the industry average of 33.4 years (2020: 33.0) and 8.9% (2020: 8.6%), respectively.



Relevant healthcare expenditure

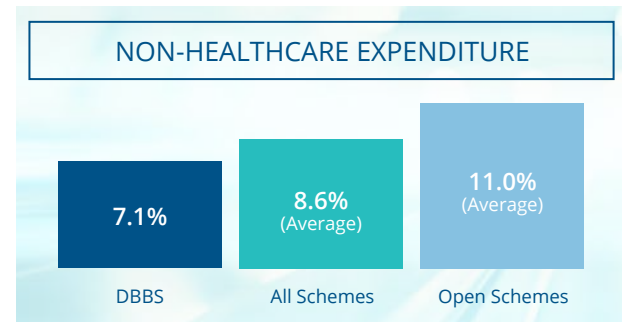
Relevant healthcare expenditure, expressed as a percentage of contributions for the year, increased to 104.1% (2020: 94.1%). This compares very favourably with the industry average as per the Council for Medical Schemes' (the Council's) 2020 Annual Report of 81.4% across all schemes, and especially when measured against the 78.2% average for open schemes.



Of the total net claims incurred in 2021, hospitals comprised 41% (2020: 39%), specialists 28% (2020: 28%), medicines 15% (2020: 17%), general practitioners 4% (2020: 4%), dentists and dental specialists 3% (2020: 3%), and other benefit types 9% (2020: 9%).

Non-healthcare expenditure

During 2021, the Society spent only 7.1% (2020: 6.7%) of contributions on non-healthcare expenses, compared with the industry average as per the Council's 2020 Annual Report of 8.6% for all schemes and 11.0% for open schemes.





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Emergency medical transport and evacuation services

The Society maintains a fixed-fee capitation agreement with ER24 for emergency medical transport and evacuation services. The Society paid a premium of R3.1 million (2020: 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 R3.3 million (2020: R2.6 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 R4.3 million (2020: R3.3 million).



Employer grant in respect of pensioners

The employer grant relates to a subsidy that is payable by DBCM in terms of agreements reached with DBCM following 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 Society Actuary in terms of an agreed methodology. The total subsidy payable by DBCM for the year in terms of these agreements amounted to R17.5 million (2020: R15.5 million).

Compliance and governance

We are fully committed to the application of those practices, philosophies and governance outcomes contained in the King IV Code of Corporate Governance (King IV) that are applicable to the Society.

Aligned to the Society's commitment to good corporate governance, the Society has subscribed to the Governance and Compliance Instrument launched by the Global Platform for Intellectual Property in collaboration with the Council to continuously assess its application of the principles of King IV insofar as they are applicable to medical schemes. The Society's King IV Application Report, which 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;

is available on the Society's [website](#).

Acknowledgments

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

Looking ahead

As we have already experienced, 2022 will no doubt be another year in which we will have to face various challenges and uncertainties from numerous sources, but I believe that the Society is well positioned to manage these.

Take care and stay safe.

Stanley Mathonzi

Principal Officer

April 2022



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Financials

FINANCIAL POSITION AS AT 31 DECEMBER 2021

	2021 R'000	2020 R'000
ASSETS		
Non-current assets	587 407	585 292
Property, plant and equipment	424	220
Intangible assets	41	58
Investments	586 942	585 014
Current assets	102 656	72 351
Investments	45 153	28 173
Trade and other receivables	23 461	19 697
Cash and cash equivalents	34 042	24 481
Total assets	690 063	657 643
FUNDS AND LIABILITIES		
Members' funds	629 476	605 805
Non-current liabilities		
Retirement benefits obligations	16 518	16 131
Current liabilities	44 069	35 707
Trade and other payables	24 349	18 534
Outstanding claims provision	19 720	17 173
Total funds and liabilities	690 063	657 643

FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 R'000	2020 R'000
Contribution income	336 260	331 146
Relevant healthcare expenditure	(350 022)	(311 583)
Net claims incurred	(346 839)	(307 699)
Accredited managed healthcare services	(3 396)	(3 365)
Net income / (expense) on risk transfer arrangement	213	(519)
<i>Risk transfer arrangement premiums paid</i>	(3 097)	(3 051)
<i>Recoveries from risk transfer arrangement</i>	3 310	2 532
Gross healthcare results	(13 762)	19 563
Administration expenditure: Benefit management services	(189)	(195)
Administration expenditure	(22 908)	(21 185)
Post-employment healthcare benefits	(705)	(848)
Net impairment write-offs on healthcare receivables	(127)	(13)
Net healthcare result	(37 691)	(2 678)
Other income	64 209	55 201
Investment income	46 655	39 588
Sundry income	17 554	15 613
Other expenditure	(2 813)	(2 818)
Asset management and monitoring costs	(2 792)	(2 771)
Foreign currency translation differences	(21)	(47)
Net surplus for the year	23 705	49 705
Other comprehensive loss	(35)	(1 634)
<i>Items that will be reclassified to profit or loss</i>		
Post-employment healthcare benefits	317	1 677
Fair value through other comprehensive income adjustments	(352)	(3 311)
Total comprehensive income for the year	23 670	48 071

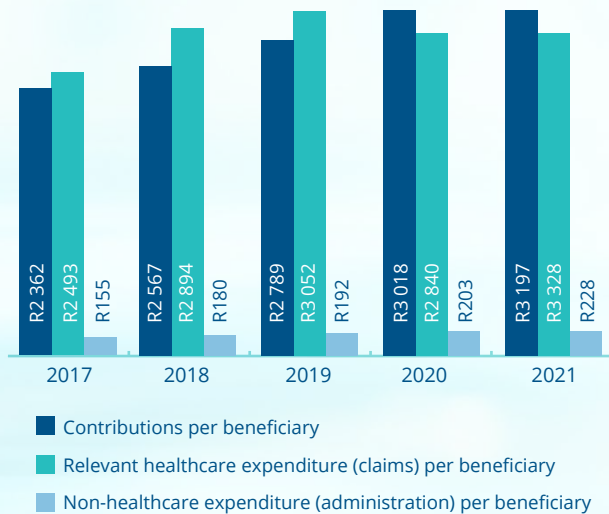
INVESTMENT ANALYSIS

	2021 R'000	2020 R'000
Linked insurance policies / Collective investment schemes	76 387	489 446
Nedgroup Structured Life Taquanta Enhanced Income Fund	-	468 989
Nedgroup Investments Core Income Fund	76 387	20 457
Segregated portfolios (Managed by Taquanta on behalf of the Society)	555 708	123 741
Debt instruments	373 932	33 089
Debt instrument sub-segments		
Debenture instruments	24 767	-
Listed property instruments	37 256	2 955
Money market instruments	119 753	87 697
Cash and cash equivalents	34 042	24 481
Total investments	666 137	637 668

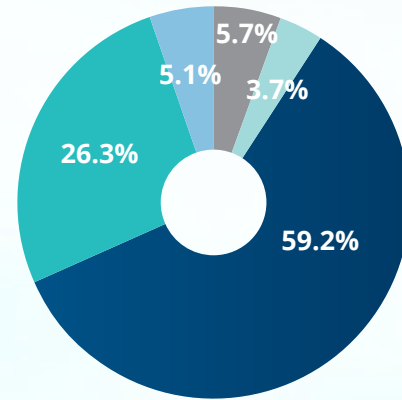
SOLVENCY RATIO

	2021 R'000	2020 R'000
Accumulated funds per Statement of Financial Position	629 476	605 806
Less: Unrealised gains	(383)	(2 811)
Accumulated funds per Regulation 29	629 093	602 995
Net contributions	336 260	331 146
Solvency ratio	187.1%	182.1%
Accumulated funds per member at 31 December	137	128

INCOME VS. EXPENDITURE RATIO PER BENEFICIARY PER MONTH



INVESTMENTS - UNDERLYING HOLDINGS' ECONOMIC EXPOSURE



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



Non-compliance

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

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

During the year the Society incurred a net healthcare deficit of R37 690 623 (2020: R2 678 108). This result is expected and is aligned with 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.

Corrective action

The Society is financially sound in terms of Section 35, as confirmed by the current level of accumulated funds and the Society's solvency ratio of 187.1% (2020: 182.1%). 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 Society Actuary. It is not the strategy of the Society to make a profit and its net investment income and the employer grant enables it to target a break-even position and to ameliorate any net healthcare deficit.

The Board monitors the financial 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.

PAYMENT OF CLAIMS WITHIN 30 DAYS

In terms of Section 59(2) of the Act, a medical scheme is required to pay a valid claim submitted to the scheme within 30 days after the day on which the claim was received.

Cause

The Society endeavours to pay all claims within 30 days of receipt, but the processing of some claims is occasionally delayed due 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.

Corrective action

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

CONTRIBUTION INCOME NOT RECEIVED WITHIN THREE DAYS OF BECOMING DUE.

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

Cause

There were a limited number of instances where the Society did not receive contributions from members within three days of these 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.

Corrective action

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

INVESTMENTS IN PARTICIPATING EMPLOYERS, 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, any participating employer or any companies associated with the afore-mentioned.

Cause

The Society through its holdings in its segregated portfolio managed on behalf of the Society by Taquanta Asset Managers holds investments in companies associated with other medical schemes, administrators and participating employers. The investment manager has full discretion over the investment decisions relating to the segregated portfolio.

Corrective action

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, subject to certain conditions.

PRESCRIBED MINIMUM BENEFITS (PMBs)

Regulation 8(1) of the Act states that subject to the provisions of this regulation, any benefit option that is offered by a medical scheme must pay in full, without co-payment or the use of deductibles, the diagnosis, treatment and care costs of the prescribed minimum benefit conditions.

Cause

There were a limited number of instances where the Society did not pay claims within the scope and level of PMBs in relation to chronic conditions defined in the Chronic Disease List (CDL). There were also a few instances where claims were incorrectly processed as non-PMBs during the assessment of the claims.

Corrective action

The Society is in the process of aligning its interpretation of PMBs with the Council's interpretation and implementing a disease risk management programme to manage and mitigate this specific non-compliance.

NOTICE OF AGM

Notice is hereby given that the 133rd Annual General Meeting of the members of the De Beers Benefit Society (the Society) will be held virtually on Wednesday, 18 May 2022 at 12h00.

For further information in this regard visit the website dbbs.co.za

133rd Annual General Meeting

of the members of the De Beers Benefit Society



Wednesday, 18 May 2022



12h00

PLANNING TO ATTEND?



Click here to register.

PLANNING NOT TO ATTEND?



Click here to download a proxy form.

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AGENDA

The purpose of this meeting will be to:

1. approve the minutes of the 132nd Annual General Meeting held on 19 May 2021;
2. receive and adopt the financial statements of the Society, the report of the Board of Trustees and the report of the auditors for the year ended 31 December 2021 and resolve that all matters undertaken and discharged by the Trustees during the year under review on behalf of the Society (as disclosed in these reports) be confirmed and ratified;
3. consider the re-appointment of auditors for the year ending 31 December 2022, as provided for in terms of Rule 25.1;
4. approve the Trustee Remuneration Policy;
5. approve that the attendance fee (remuneration) payable per meeting attended by Trustees and Board Committee members who are not employees of the Employer or Associated Employers, be increased from R5 175 to R5 540 effective from 1 January 2022, as provided for in Rule 18.25; and

6. 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 complete and return a proxy form, which can be downloaded [here](#). Completed and signed proxy forms should reach the Society's offices by the close of business on 17 May 2022.

NOTICES OF MOTION

Please take note that, in terms of Rule 26.1.8, 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.

Stanley Mathonzi

Principal Officer

April 2022



Would you like to know more about the 2021 financial statements?

These highlights from the financial statements are presented in considerably less detail than the audited 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 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 financial statements should be read in conjunction with the audited financial statements.

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



Contact the Society's Secretarial and Communications Department on 053 807 3364 or benefitpost@dbbs.co.za.



Download the full set of the financial statements from the Society's website, dbbs.co.za.

The highlights from the financial statements for 2021 were derived from the complete set of audited 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 financial statements.

