



HIGHLIGHTS FROM THE
2022 Financial Statements
AND NOTICE OF AGM



4 515

Average principal members

(2021: 4 660)

2022 at a glance



8 396

Average lives covered

(2021: 8 765)



R639.3 m

Total investments

(2021: R632.1 million)



2022
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CHAIRPERSON'S
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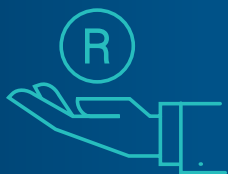
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R47.3 m

Net investment income

(2021: R43.5 million)



R341.8 m

Total contributions received

(2021: R336.3 million)



R625.7 m

In reserves

(2021: R629.5 million)



183.1%

Solvency ratio

(2021: 187.1%)



R380.7 m

Total benefits paid

(2021: R346.8 million)

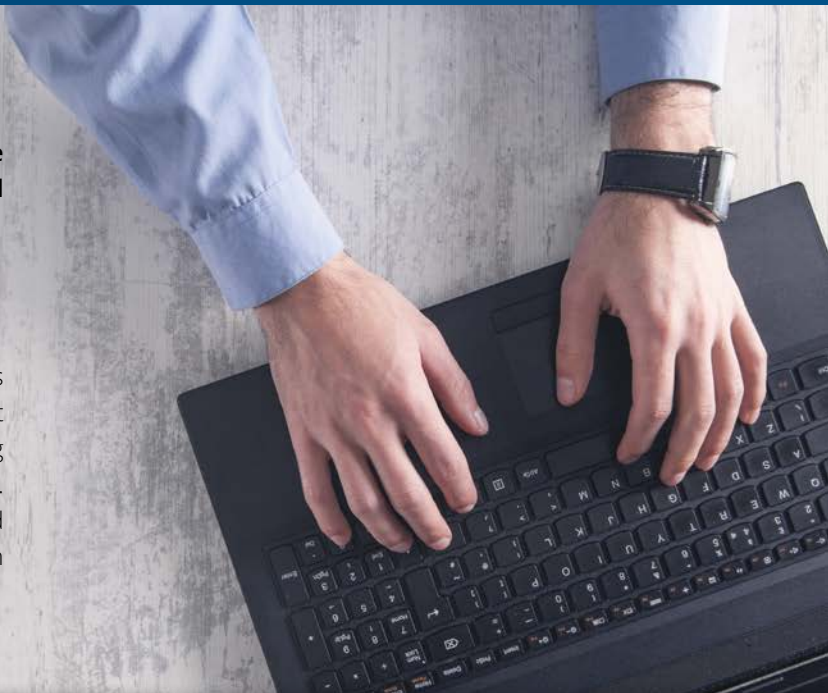


Chairperson's Report

The year under review saw life returning to some sense of “normality”, allowing both the Society and our beneficiaries a renewed focus on health.

Helping at-risk beneficiaries manage their health

In my report of last year, I noted that the Society was exploring the introduction of a Disease Risk Management (DRM) programme aimed at identifying and supporting beneficiaries with certain identified chronic conditions. The feasibility of this programme was duly explored, and I am excited to report that the DRM programme has been successfully launched.



The Trustees regarded the introduction of the DRM programme as a clear win-win solution, for the following reasons:

- For beneficiaries with the identified chronic conditions, this programme would enable them to manage such conditions more proactively and ultimately improving their overall health. Beneficiaries registered on the programme will also no longer incur co-payments with regard to the allocated consultations and/or procedures as specified in their personalised treatment plan(s).
- For the Society, the improved compliance and health outcomes of such a programme will (in the longer term) have a positive effect on claims expenditure, as lifestyle diseases such as high blood pressure, cholesterol and diabetes have become an increasing healthcare burden on medical schemes over the past decades.

If you (or one of your dependants) have received a treatment plan from the Society for a chronic condition, I encourage you to make use of this opportunity to improve your health outcomes.

Financially speaking

After an induced period of reduced claims for elective surgeries, hospital admissions and even routine medical consultations during 2020 and a significant part of 2021, the year under review saw a return to the 'norm' (pre Covid-19 levels) in the Society's claiming patterns.

External factors such as the weakening of the Rand (combined with load shedding, rising inflation and interest rates), South Africa's grey-listing by the international Financial Action Task Force (FATF) and the war in Ukraine all had a negative impact on the local economy and investment markets during 2022.

Fortunately, despite the above, the Society's financial reserves and the adopted investment strategy became instrumental in allowing us to weather these storms.

Moreover, these reserves have also been used to cushion you against sharp contribution increases and enabled the Society to maintain contribution increases at 5.9% for the last 3 years, despite a spike in inflation and relevant healthcare costs. The impact of these

lower contribution increases is that the Society is able to provide comprehensive benefits at 20% lower than the average open medical schemes.

On a more personal note

It is with great sadness that I learnt about the passing of Mr. William (Huck) Endersby, one of the longest serving Trustees, late last year. The dedication Mr Endersby provided to his fellow Trustees and Management over the years was immense and he will be remembered for that.

On that note I am reminded of how much I depend on my fellow Trustees, non-Trustee Board Committee members and Society Management and Staff for their ongoing efforts and dedication – a heartfelt thank you for everything you do!

Craig Coltman

Chairperson
June 2023



Principal Officer's Report

Although our Chairperson has already reflected in his report on the impact of a number of economic and external factors on the Society during 2022, I would like to touch on some key facts and statistics as reflected in our financial statements.

During the year under review the Society continued to experience an increase in the utilisation of routine out-of-hospital healthcare services (such as dentistry and specialist visits), as well as elective surgeries that resulted in an increase in hospital admissions, as the claiming patterns across the industry returned to some sort of 'normality' (pre-Covid-19 levels).

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 112.5% (2021: 104.1%); and
- Members' funds decreased by 0.6% (2021: increase of 3.9%).

Power cuts, as a result of load shedding implemented by Eskom, severely impacted many businesses across South Africa during the year under review. The Society, however,

experienced limited disruptions to its operations due to its having a well maintained on-site generator in place as a backup.

The power cuts and South Africa’s grey-listing by the FATF, combined with rising inflation and interest rates, also did not help and left a mark on the local investment markets during the year under review. The FTSE/JSE All Share Index (ALSI) returned 3.6% (2021: 29.2%), the All-Bond Index returned 4.3% (2021: 8.4%) and cash returned 5.2% (3.8%). Fortunately, the Society’s investments were largely immunised against this, thanks to the adopted investment strategy. The Society’s investment return for the year under review was 7.5% (2021: 7.1%).

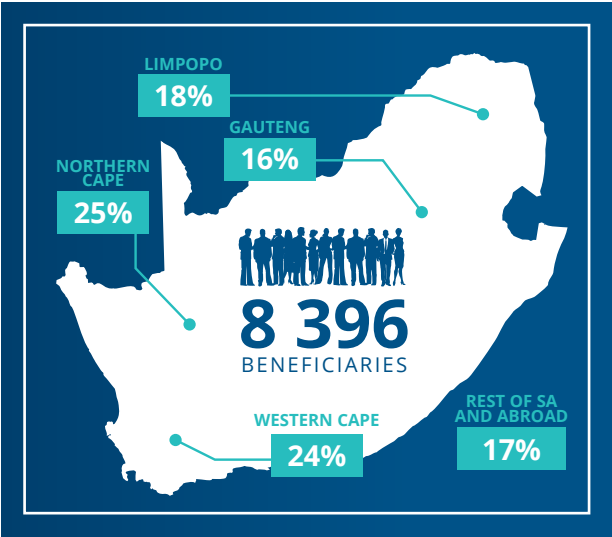
For now, however, I would like to reflect on our results for 2022.

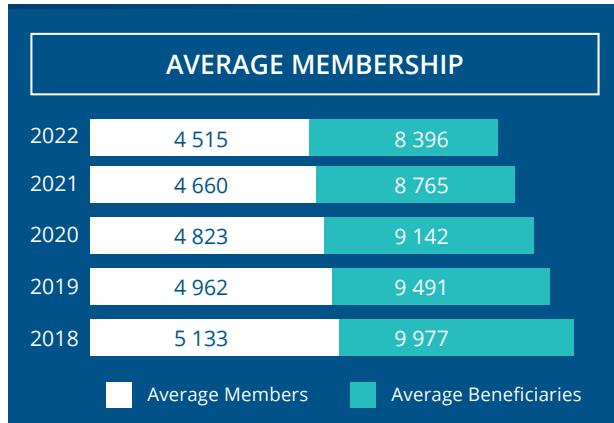
Membership

During 2022 the Society provided benefits to an average of 8 396 (2021: 8 765) beneficiaries located primarily in the Northern Cape (25%), Western Cape (24%), Gauteng (16%) and Limpopo (18%). The remaining beneficiaries

are spread across the remainder of South Africa and abroad (17%).

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 (De Beers) and member choice in relation to the registration of dependants.





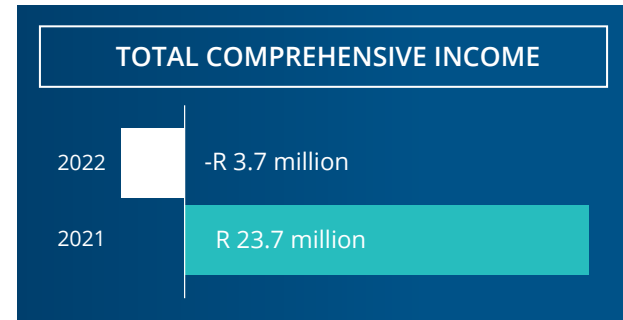
The Society had 4 429 (2021: 4 608) principal members as at 31 December 2022, with a monthly average of 4 515 (2021: 4 660) for the year. The dependant ratio as at 31 December 2022 was 1: 0.85 (2021: 1: 0.87).

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. In my report of last year, I noted

that the Society had 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. A total of 36 members opted to join Umvuzo Health.

Financial results for the year

The Society reflected a total comprehensive loss for the year of R3.7 million (2021: R23.7 million income) after incorporating investment and other income.

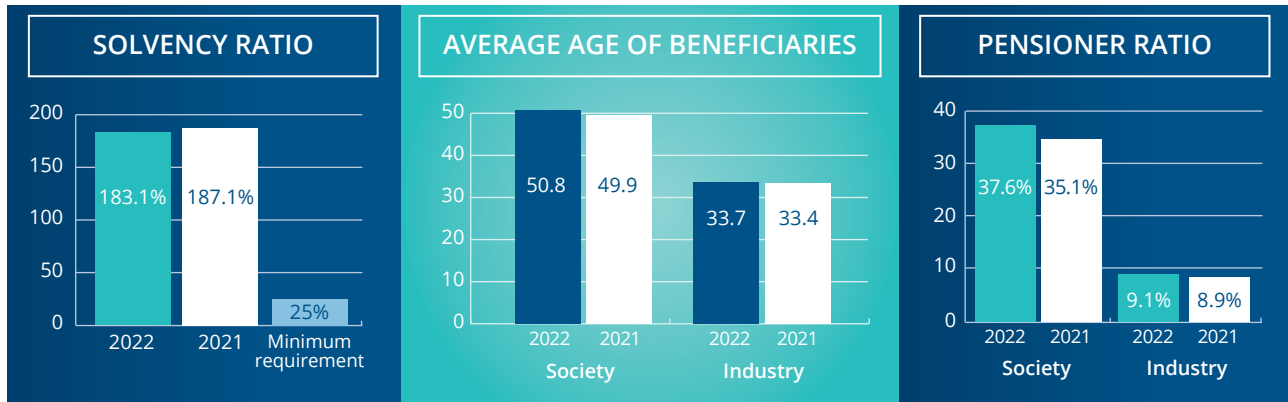


Accumulated funds and solvency ratio

The Society's accumulated funds have decreased to R625.8 million (2021: R629.5 million). Its solvency ratio as at 31 December 2022 decreased to 183.1% (2021: 187.1%).

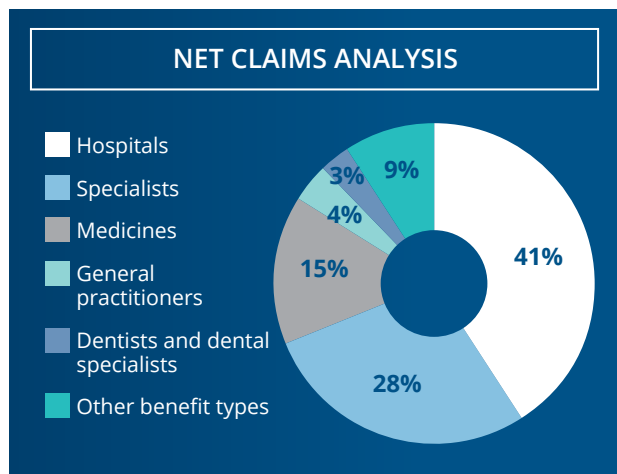
We remain cognisant of the fact that the Society's solvency ratio is substantially higher than the minimum of 25% required by the Medical Schemes Act of South Africa (the Act). It is also in excess of the Society's risk-based capital requirement, as determined by the Society

Actuary based on the Society's specific risk profile. This is reassuring in view of 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 50.8 years (2021: 49.9) and the pensioner ratio of 37.6% (2021: 35.1%). Both the average age of beneficiaries and the pensioner ratio are significantly higher than the industry average of 33.7 years (2021: 33.4) and 9.1% (2021: 8.9%), respectively.



Relevant healthcare expenditure

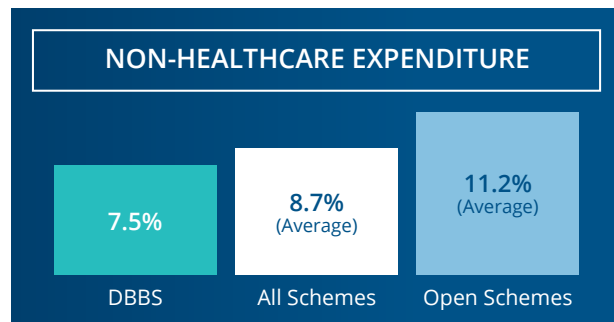
Relevant healthcare expenditure, expressed as a percentage of contributions for the year, increased to 112.5% (2021: 104.1%). This compares very favourably with the industry average as per the Council for Medical Schemes' (the Council's) 2021 Annual Report of 90.9% across all schemes, and especially when measured against the 90.6% average for open schemes.



Of the total net claims incurred in 2022, hospitals comprised 41% (2021: 41%), specialists 28% (2021: 28%), medicines 15% (2021: 15%), general practitioners 4% (2021: 4%), dentists and dental specialists 3% (2021: 3%), and other benefit types 9% (2021: 9%).

Non-healthcare expenditure

During 2022, the Society spent only 7.5% (2021: 7.1%) of contributions on non-healthcare expenses, compared with the industry average as per the Council's 2021 Annual Report of 8.7% for all schemes and 11.2% 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 R3.2 million (2021: R3.1 million) to ER 24 for the year. The total cost for emergency medical transport and evacuation services recovered in terms of this agreement amounted to R3.0 million (2021: R3.3 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 R3.9 million (2021: R4.3 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 R16.0 million (2021: R17.5 million).

Compliance and governance

We remain 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.

The Society's certificate of compliance with administration standards applicable to self-administered schemes was unconditionally renewed by the Council during the year under review, which should give you a further sense of comfort that the Society is well-managed in your best interest. The certificate expires on 9 December 2025.

In addition, the Council conducted a routine inspection in terms of Section 44(4) of the Act for the purposes of monitoring the Society's compliance with its registered Rules, the Act, the Regulations and other applicable legislation for the period 1 January 2019 to 31 March 2022. Some recommendations were made in the draft report issued by the Council, which we have responded to comprehensively. The final report from the Council is awaited.

Acknowledgments

I wish to thank the Trustees, non-Trustee 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

2023 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. We will also continue to monitor and keep you updated on developments/changes in the regulatory environment and the South African healthcare system.

Take care and stay healthy.

Stanley Mathonzi

Principal Officer

June 2023



FINANCIAL POSITION AS AT 31 DECEMBER 2022

	2022 R'000	2021 R'000
ASSETS		
Non-current assets	552 521	587 407
Property, plant and equipment	342	424
Intangible assets	24	41
Investments	552 155	586 942
Current assets	137 913	102 656
Investments	87 150	45 153
Trade and other receivables	21 167	23 461
Cash and cash equivalents	29 596	34 042
Total assets	690 434	690 063
FUNDS AND LIABILITIES		
Members' funds	625 739	629 476
Non-current liabilities		
Retirement benefits obligations	16 085	16 518
Current liabilities	48 610	44 069
Trade and other payables	29 222	24 349
Outstanding claims provision	19 388	19 720
Total funds and liabilities	690 434	690 063

FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 R'000	2021 R'000
Contribution income	341 761	336 260
Relevant healthcare expenditure	(384 390)	(350 022)
Net claims incurred	(380 745)	(346 839)
Accredited managed healthcare services	(3 485)	(3 396)
Net (expense) / income on risk transfer arrangement	(160)	213
<i>Risk transfer arrangement premiums paid</i>	(3 151)	(3 097)
<i>Recoveries from risk transfer arrangement</i>	2 991	3 310
Gross healthcare results	(42 629)	(13 762)
Administration expenditure: Benefit management services	(220)	(189)
Administration expenditure	(24 746)	(22 908)
Post-employment healthcare benefits	(834)	(705)
Net impairment reversals / (write-offs) on healthcare receivables	19	(127)
Net healthcare result	(68 410)	(37 691)
Other income	66 744	64 209
Investment income	50 663	46 655
Sundry income	16 081	17 554
Other expenditure	(3 018)	(2 813)
Asset management and monitoring costs	(3 010)	(2 792)
Foreign currency translation differences	(8)	(21)
Net (deficit) / surplus for the year	(4 684)	23 705
Other comprehensive income / (expenditure)	947	(35)
<i>Items that will be reclassified to profit or loss</i>		
Post-employment healthcare benefits	1 267	317
Fair value through other comprehensive income adjustments	(320)	(352)
Total comprehensive (loss) / income for the year	(3 737)	23 670

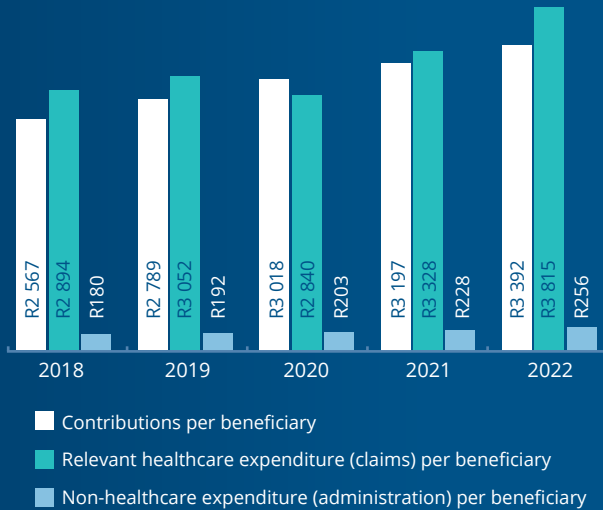
INVESTMENT ANALYSIS

	2022 R'000	2021 R'000
Collective investment schemes	75 659	76 387
Nedgroup Investments Core Income Fund	75 659	76 387
Segregated portfolios <i>(Managed by Taquanta on behalf of the Society)</i>	563 646	555 708
Debt instruments	369 156	373 932
Debenture instruments	31 271	24 767
Listed property instruments	46 472	37 256
Money market instruments	116 747	119 753
Cash and cash equivalents	29 596	34 042
Total investments	668 901	666 137

SOLVENCY RATIO

	2022 R'000	2021 R'000
Accumulated funds per Statement of Financial Position	625 739	629 476
Less: Unrealised gains	-	(383)
Accumulated funds per Regulation 29	625 739	629 093
Net contributions	341 761	336 260
Solvency ratio	183.1%	187.1%
Accumulated funds per member at 31 December	141	137

INCOME VS. EXPENDITURE RATIO PER BENEFICIARY PER MONTH





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 R68 410 017 (2021: R37 690 623). This result was 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 183.1% (2021: 187.1%). It is not the strategy of the Society to make a profit and its net investment income, the employer grant, and substantial

reserves enable it to ameliorate any net healthcare deficit, whilst balancing the risk of rising relevant healthcare expenditure and keeping annual contribution increases in line with inflation.

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 is 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. The Society has re-applied for exemption and a response is awaited from the Council.

PRESCRIBED MINIMUM BENEFITS (PMBs) AND BENEFIT PAYMENTS

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 implemented a disease risk management programme to manage and mitigate this specific non-compliance.

CLAIMS PAID AFTER TERMINATION DATE

Section 28(c) of the Act states that no person shall claim or accept benefits in respect of himself or herself or any dependant from any medical scheme other than the medical scheme of which he or she is a member.

Cause

The termination notification in respect of one member was received late by the Society resulting in claims with service dates after the member’s termination date being paid. As at 31 December 2022 the claims had not been reversed against the member’s debtor account for recovery.

Corrective action

The related claims were reversed against the member’s debtor account for recovery during March 2023. Internal processes will be reviewed in order to avoid re-occurrence.



NOTICE OF AGM



**134th Annual
General Meeting**
of the members of the
De Beers Benefit Society



Thursday, 13 July 2023



12h00

Notice is hereby given that the
134th Annual General Meeting
of the members of the De Beers
Benefit Society (the Society)
will be held virtually on
Thursday, 13 July 2023 at 12h00.

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

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 133rd Annual General Meeting held on 18 May 2022;
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 2022, 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 2023, 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 540 to R6 011 effective from 1 January 2023, 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 proxy forms should reach the Society's offices by the close of business on 12 July 2023.

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

By order of the Board of Trustees.

Stanley Mathonzi

Principal Officer
June 2023



Would you like to know more about the 2022 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; or



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

The highlights from the financial statements for 2022 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.

