

PROPOSED AMALGAMATION OF QUANTUM MEDICAL AID SOCIETY WITH DISCOVERY HEALTH MEDICAL SCHEME

1. Purpose of this letter

This letter serves to communicate the proposed amalgamation of Quantum Medical Aid Society (“QMAS”) with Discovery Health Medical Scheme (“DHMS”) and the processes involved in the transaction. An amalgamation of medical schemes means that one medical scheme (i.e. QMAS) becomes part of another (in this case, DHMS).

2. Context

QMAS, which is considered a small scheme with approximately 3,273 members as at September 2020, has performed well for many years with good financial metrics including healthy reserves in excess of R145 million. The Trustees of QMAS are of the view that the Scheme will not be sustainable over the longer term and have been independently advised to amalgamate with a larger scheme.

A detailed actuarial evaluation of the impact of the proposed amalgamation confirmed that the QMAS reserves (in excess R145 million) will be adequate to ensure that the amalgamation is in the best interests of DHMS members. Accordingly, the Board of Trustees (“Board”) of DHMS has agreed to proceed with the amalgamation process. The amalgamation process means that DHMS will acquire the reserves of QMAS which would not be the case if the members joined DHMS individually. This enables the Trustees to protect DHMS members by growing both members and reserves.

The proposed date for the amalgamation is 01 April 2021. This is subject to approval of the proposed amalgamation by vote at the Special General Meeting of DHMS members as well as the approval thereof by QMAS members in terms of their rules. In addition, the proposed amalgamation must be approved by the Council for Medical Schemes in terms of Section 63 of the Medical Schemes Act 131 of 1998 and the approval of the transaction is also required by the Competition Commission.

The conditions of the proposed amalgamation are as follows:

- a. The amalgamation is to take place by no later than 01 April 2021. In the case that this date is postponed, the proposed amalgamation may need to be re-evaluated.
- b. The full reserves (i.e. assets minus liabilities including any unrealised gains) of QMAS must be transferred to DHMS on the date of the merger.
- c. All QMAS members will be defaulted to a DHMS benefit plan option per an agreed default mapping between DHMS and QMAS.
- d. QMAS members can change benefit plan options for a period of up to three months after the date of the amalgamation.
- e. QMAS members who join DHMS on 01 April 2021 will be accepted by DHMS without any underwriting. For existing employees of Bidvest and Sun International, there will be a three-month window period, between 01 April 2021 and 30 June 2021, to join DHMS without underwriting. Any new employees joining DHMS after 01 April 2021 will be subject to underwriting where applicable.

In order to provide some context, underwriting is when DHMS asks questions about any pre-existing conditions or health events, and about a member’s prior membership of other medical schemes. In some cases, DHMS would have the right to impose waiting periods of up to twelve months before a member can claim from the Scheme, or impose a late joiner penalty if an individual has not been a member of a medical scheme for an extended period.

- f. The existing late joiner penalties and waiting periods (general and condition-specific) of members will be transferred to DHMS and applied.

3. Member's responsibility: voting on the amalgamation

As a Principal Member of DHMS you have a right to exercise your vote on the proposed amalgamation at the Special General Meeting to be held on 17 March 2021 at 10:00.

Yours sincerely



Charlotte Mbewu
Principal Officer