

Minutes of the Special General Meeting of Discovery Health Medical Scheme (“DHMS”/“Scheme”) streamed live from the Executive Boardroom, 1 Discovery Place, Sandton and broadcasted virtually using the Lumi Global Platform on 17 March 2021, at 10:00

1. Welcome and Quorum

The Chairperson of the Board of Trustees, Mr Neil Morrison, welcomed all the Special General Meeting (“SGM”) of Discovery Health Medical Scheme (“DHMS”/“the Scheme”).

Rule 25.2.6 of the Scheme Rules states that at least 30 Principal Members should be present in person or virtually, to declare an SGM quorate. If a quorum is not present at an SGM after the lapse of 30 minutes, from the time fixed for the commencement of the meeting, the meeting is regarded as being cancelled. The meeting was declared quorate, with 151 Principal Members present.

The Chairman highlighted the following:

- Only matters relating to the amalgamation will be discussed.
- The SGM notice, including details of the proposed amalgamation and approved exposition document, were published on the Discovery website on 01 February 2021.
- Regulatory requirements that need to be complied with, will be discussed in detail later in the meeting.
- One of the regulatory requirements for the proposed amalgamation is that Members of the Scheme must vote on the amalgamation at an SGM.
- On 19 November 2020, the DHMS Board of Trustees resolved to proceed with the amalgamation process and called for this SGM for the purpose of voting on the amalgamation with QMAS.
- Rule 29.2, subject to Section 63 of the Medical Schemes Act 131 of 1998 (“the Act”), requires that at least 50% of the members physically or virtually present at the meeting should vote in favour of an amalgamation.

2. Confirmation of the Agenda

The Chairperson presented the agenda for the meeting and requested confirmation thereof. Esté Whyte proposed the approval of the agenda and Nicky Lakay seconded the proposal. The agenda was thus duly confirmed.

The agenda for the meeting was as follows:

1. Welcome and quorum
2. Voting process on the proposed amalgamation with Quantum Medical Aid Society (“QMAS”)
3. Presentation on the proposed amalgamation with QMAS
4. Questions
5. Closure

3. Voting process

- Only Principal Members and proxy holders in attendance, either physically or virtually, will be able to cast their vote.
- The Chairperson will declare the voting open, after which the polling icon will appear on the navigation bar for the matter to be voted on. In this case, the proposed amalgamation with QMAS and various voting options will be displayed.
- Principal Members and proxy holders may then commence with casting their vote.
- To cast your vote, simply select your preference from the options shown on the screen.
- A confirmation message will appear to show your vote has been received.

- To change your vote, simply select another preference. If you wish to cancel your vote, please press Cancel. Voting can be performed at any time during the meeting, until voting on the amalgamation closes at 14:00 this afternoon. At that point, your last choice will be submitted, and no further votes will be accepted. The polling icon will no longer be visible.
- You will still be able to send messages and view the webcast whilst the poll is open.

The meeting was declared open by the Chairperson.

4. Presentation on the proposed amalgamation

Note and overview from the Chairperson:

- Members will be afforded the opportunity to ask questions that they may have, by making use of the messaging functionality on the Lumi platform.
- Any matters of a general nature or not relating to the amalgamation will not be discussed
- Questions will be answered after Emile Stipp's presentation.
- On 15 December 2020, the Board of Trustees of QMAS resolved to approve the amalgamation with DHMS.
- In arriving at its decision, QMAS considered numerous schemes as potential amalgamation partners. Based on a detailed analysis of the schemes, DHMS was considered the most appropriate scheme for QMAS to amalgamate with.
 - The DHMS benefit options are amongst the most competitive benefit options in the market.
 - DHMS was considered an extremely stable and suitable scheme based on factors such as membership size, demographic profile, financial results, expertise and innovation.
 - An amalgamation with DHMS would therefore ensure that QMAS members will become members of a large, stable and sustainable medical scheme.
 - QMAS' benefit options very closely mirror the equivalent of DHMS' benefit options.
 - The transfer of QMAS members to DHMS should be seamless as they are currently administered by the same administrator, namely Discovery Health (Pty) Ltd.
 - Employees of Bidvest and Sun International are currently being offered a choice between QMAS and an open scheme. DHMS is currently one of the open schemes offered to those employees who elect not to join QMAS.
 - These two employer groups would therefore not have to offer an additional open scheme to employees, which would result in an increased administrative burden.
- Legal requirements
 - The amalgamation process means that DHMS will acquire the reserves of QMAS, and this is critical.
 - This would not be the case if members joined DHMS individually.
 - This enables the Board of Trustees to protect the DHMS members by growing both members and the reserves. A detailed actuarial evaluation of the impact of the proposed amalgamation has been prepared by MNG Benefits (Pty) Ltd.
 - The Independent actuaries for QMAS confirmed that the QMAS reserves in excess of R145 million will be adequate to ensure that the amalgamation is in the best interests of DHMS members.
 - Unaudited results as of 31 December 2020 indicated that the QMAS reserves were at R162 million.
 - The amalgamation is subject to terms and conditions which will be addressed in the presentation to be made by Emile Stipp, which will cover DHMS' approach to the merger, key statistics and the merits of the merger.

Emile Stipp highlighted the following during his presentation:

- The purpose of the actuarial evaluation is to calculate the reserves that the Scheme requires to cover the liabilities that may arise from these members. A recommendation is then made to the DHMS Board of Trustees for approval, after which DHMS initiates the amalgamation process as per Section 63 of the Act.
- Members are required to vote on the proposed amalgamation at the SGM. If more than 50% of Members vote in favour of the proposed amalgamation, regulatory approval from the Council for Medical Schemes (“CMS”) and the Competition Commission needs to be obtained.
- DHMS has more than 2.7 million beneficiaries and the reserves per beneficiary is just short of R10 000, with the average age being 35.9 years.
- In the actuarial evaluation:
 - The first consideration is whether the amalgamation will have a big financial impact on the Scheme. QMAS only has 6 000 beneficiaries, which indicates that it would not have a material impact on the Scheme.
 - QMAS also has more reserves per beneficiary than DHMS has at the moment, which is a positive factor in favour of the amalgamation.
 - QMAS average age is slightly higher, which would indicate that these members might claim a little bit more than the average DHMS Member.
- The Scheme Actuaries evaluate all of these factors in order to provide a sound recommendation.
- A detailed actuarial analysis of QMAS is performed and on the basis of that, the merits of the amalgamation are assessed, modelling the impact of QMAS members joining DHMS on an assumption of the particular options that they join.
- In this case, because QMAS’ options are very similar to the DHMS options, the variation is not significant.
- The QMAS reserves are adequate to ensure that the DHMS reserves are not diluted by ensuring that at least 25% of the contributions will cover any sort of additional outflow that could arise from claims from these members.
- The reserve requirement from a DHMS perspective is R152 million.
- QMAS members will bring sufficient reserves to the Scheme and will in fact slightly improve the DHMS financial scaling after the amalgamation.
- It is important for DHMS Members to bear in mind that they do have a choice regarding schemes amalgamating with DHMS and that the Scheme does not have to amalgamate with QMAS in this instance.
- Should QMAS members join DHMS individually, the Scheme would not receive the QMAS reserves.
- Therefore, it is in the interest of DHMS for Members to vote in favour of QMAS amalgamating with the Scheme, and the recommendation is to proceed with the amalgamation.
- Recommendation
 - The amalgamation takes place on 01 July 2021.
 - Should this date be postponed, DHMS would have to re-evaluate whether QMAS reserves are still adequate.
 - That the full reserves be transferred to DHMS.
 - QMAS members will be defaulted to particular DHMS benefit plan options, however, they can exercise a choice up to three months after they join the Scheme, to move to a different benefit option.
 - In practice, it would be best for most members to stay on the default option selected, which in this case, is based on similarities to the existing QMAS options.
 - QMAS members who join DHMS on 01 July 2021 will then be accepted without any underwriting or any additional requirements.
 - Any existing employees of the employer group will be given a three-month window period in which they can join DHMS.
 - Any new employees joining after 01 July 2021 will be subject to normal underwriting, and applicable rules at that point.
 - Any penalties and waiting periods will also be transferred when such members move over to DHMS.

- The recommendation from an actuarial perspective is to approve the amalgamation of QMAS with DHMS.
- A request was made to the independent actuaries of DHMS to independently evaluate the calculations made. The independent actuaries of DHMS have supported the Scheme Actuaries' evaluations and has recommended that QMAS should amalgamate with DHMS.

5. Question

- Nkopane Washington Miya enquired as to what prompted the proposed amalgamation.
- Ryan Noach, CEO of Discovery Health (Pty) Ltd responded that the amalgamation was prompted by a decision from the QMAS Board of Trustees who recognised that, considering the small scale of their scheme, the scheme would be better served from a sustainability perspective, if it were to merge with a larger scheme. This is in the context of a broad trend of consolidations that has been occurring across the entire medical scheme industry. And in fact, encouragement from the CMS, who has released various circulars and made various statements encouraging smaller schemes to consider consolidations. Particularly those with a membership of less than 6 000 principal members. With QMAS having about 3 200 principal members, it fell into this category. This was an unsolicited decision from the QMAS Board of Trustees in the context of regulatory guidance and in the context of industry trends. QMAS then went to the market to seek an amalgamation partner. Various conversations and negotiations were held and a decision to amalgamate was concluded with DHMS to the satisfaction of the DHMS Board of Trustees.

6. Closure

- The Chairperson reminded Members that voting closes at 14:00 this afternoon, and that no further votes will be accepted after this time.
- The meeting was declared closed at 10:25.