

**Minutes of the 57th Annual General Meeting
of Southern Cross Medical Care Society**

Held on Wednesday, 5 December 2018 at 2.00pm
at the Westpac Stadium Function Centre, Waterloo Quay, Wellington

- Present: G W Gent, Chairman
- Ms C M Drayton, Ms E M Hickey, G R W France, Dr P A T Leightley, Ms J M Raue and K B Taylor (Directors)
- Senior management and advisors, including N Astwick, S J Azzopardi, K Boielle, V Caisley, Dr S Child, A McPhail, R Ogilvie, C Trigg, C Watney, and R Cunningham (Secretary), J Smeed (Appointed Actuary, Finity Consulting), K Baldock and S Ferris (KPMG, external auditors), and others totaling approximately 60 Members.
- Welcome: Mr Gent welcomed Members to the meeting, together with representatives of the Society's external auditors (KPMG) and guest speaker Dr Stephen Child.
- Introduction: Mr Gent introduced each of the Directors, before introducing Mr Astwick, the Chief Executive Officer and Ms Cunningham, the Secretary to the Board.
- Apologies: No apologies were recorded.
- Notice of meeting and quorum: Mr Gent advised that notice of the Annual General Meeting had been given in accordance with the Rules of the Society, and as there was a quorum of more than 12 Members present, he declared the meeting open.
- Voting and speaking protocol: Mr Gent outlined the voting and speaking protocols to be followed in dealing with the various motions to be considered in the meeting.
- Presentation of Annual Report and Financial Statements: Item 1: In presenting the Annual Report and Financial Statements, Mr Gent gave a brief overview of the 2017/18 year, highlighting the organisation's financial performance and focus on value, affordability and sustainability.
- Mr Gent commented that for every dollar received in premiums in the past financial year, 92 cents was

paid out in claims. While that represents outstanding value for members, he acknowledged that long term this ratio is not sustainable. He went on to advise that this coming year the Society would be targeting a ratio of 89 cents.

Mr Gent went on to comment that the average pay-out ratio among the other health insurers in New Zealand was just 65 cents in the dollar (with one for-profit health insurer paying out just 59 cents in the dollar). Mr Gent noted that if the Society had applied the same ratio to its premium income, it would have paid \$323m less in claims.

While the Society's market share remained at 62 per cent, it paid 74 per cent of all health insurance claims.

Claims costs rose nine per cent during the year under review, while premium income rose seven per cent. This led to a deficit of \$13.3 million.

He went on to comment that the Society aims to achieve a modest surplus each year in order to maintain its solvency, and will look to do so again in the coming year.

Mr Gent noted that the Society's reserves remained healthy – with \$397.3 million in net tangible assets, representing approximately 5.2 months of claims. It also retained its Standard and Poor's A+ credit rating.

Meanwhile membership had continued to grow, reaching more than 867,000.

Mr Astwick, the Chief Executive Officer, gave a presentation on the Society's operational performance and future direction, giving an overview of the organisation's strategy, and its focus on empowering Kiwis to live their healthiest lives. He also referenced the need for a fundamental change to the health sector in the face of an ageing and growing population, and claims costs that consistently outstrip the general rate of inflation.

Mr Azzopardi, the Chief Finance and Risk Officer gave a brief update on the Society's financial performance and investment portfolio.

It was moved by Mr Gent and seconded by Ms Hickey, that the Annual Report and Financial Statements for the year ended 30 June 2018, and the

Auditor and Appointed Actuary's Reports thereon, be received.

Prior to putting the motion to the vote, Mr Gent invited questions or discussion from Members. The Board and management responded to the following questions/comments from members:

- Mr Gregory Kent queried the rationale underlying the recent removal of the public hospital cash benefit.
- Ms Ann Kennedy-Perkins suggested that the Society should leverage its market power on behalf of members to purchase procedures such as cataract surgery at a lower price.
- Mr Peter McKearney commented on the Society's practice of updating benefits, querying how he can have confidence that when he comes to claim the required procedure will still be covered.
- Mr Chris McKay queried the Society's conservative investment strategy relative to others such as ACC.
- Ms Jean Coveny queried the recent change to how the excess on her policy is applied.

The motion that the Annual Report and Financial Statements for the year ended 30 June 2018, and the Auditor and Appointed Actuary's Reports thereon, be received was put to the meeting and passed on the voices.

Election of Directors:

Mr Gent explained that the number of candidates this year was equal to the number of vacancies. As Roger France and he were retiring by rotation and, standing for re-election, Mr Gent advised that Secretary of the Society, Ms Cunningham would chair this item of business and cast any proxies on his behalf (if required).

Ms Cunningham assumed the Chair.

Ms Cunningham advised that, based on their contribution since becoming Directors, the Board supported the re-election of Mr France and Mr Gent.

Item 2.1: It was moved by Ms Cunningham and seconded by Mr Taylor that Mr France be re-elected as a Director of the Society.

Mr France spoke briefly to the motion. There was no discussion. The motion was put to the meeting and passed on the voices.

Item 2.2: It was moved by Ms Cunningham and seconded by Mr Gregory Kent that Mr Gent be re-elected as a Director of the Society.

Mr Gent spoke briefly to the motion. There was no discussion. The motion was put to the meeting and passed on the voices.

Mr Gent resumed the Chair.

Appointment of a Trustee:

Item 3: Mr Gent outlined the role of the Trustee and that Ms Hickey was retiring by rotation and, being eligible, offered herself for re-election.

It was moved by Mr Gent and seconded by Ms Raue that Ms Hickey be re-appointed as a Trustee of the Society.

Ms Hickey spoke to the motion. With no discussion from the floor, the motion was put to the meeting and passed on the voices.

General business:

Item 4: Member Loyalty.

Mr Gent introduced the item of General Business set out in the Notice of Meeting; that consideration be given to a discounted annual premium based on loyalty and continuous duration of membership and also taking into account claims history over 10, 20 and 30 years membership.

Mr Gent thanked Ms Catherine Stewart for raising the item for discussion and for travelling from Tauranga, before inviting Ms Stewart to say a few words.

Ms Stewart addressed the meeting, advising that her primary concern is the increasingly unaffordable nature of premiums, and outlined her suggestion to consider a sliding scale discount based on length of membership and claims history.

Mr Gent responded that a key consideration for the Board was that if a discount was provided to one group of members, other members would have to pay more, as the Society did not have any profit margin it could use to fund discounts. Loyalty rewards had been looked at in-depth in 2004 and 2012 but potential issues identified at those times meant the Board had not proceeded.

In relation to the issue of affordability for older members, Mr Gent said the Society today had 120,000 members that had been with the Society for

30 or more years, but not all members of this group were necessarily older. If 30 years' membership were the qualification period for a loyalty reward, around half of the Society's members aged 65 and over would not qualify.

Mr Gent said the Society currently operates a low claims discount and that it was considered important the size and criteria of the discount should not change in a way that would dis-incentivise members from seeking treatment.

Mr Astwick commented that members who had been with the Society longer, receive more back in claims because of the Society's insurance model which offers cover for developed conditions through guaranteed renewability.

Mr Gent opened up to discussion from the floor.

- Mr David Edmonds advised that he was generally supportive of a loyalty discount but felt there was no point in pursuing it. Rather than a reward for tenure he would prefer to see policy terms guaranteed (i.e. no adverse benefit changes).
- Mr Don Packer observed that loyalty discounts felt like a move towards user-pays which is contradictory to the notion of risk-pooling on which all insurance is based, therefore he did not support the concept.
- Ms Margaret Gordon commented that there is significant value in having pre-existing conditions covered and that younger people needed to be encouraged to join early in life and to access preventative treatments to stay well.

Mr Gent thanked members for their views and again thanked Mrs Stewart for raising the topic.

Other General Business

There were no other items of general business raised.

Mr Gent thanked members for their attendance and participation in the AGM before inviting them to join the Board and management for refreshments following a presentation from the guest speaker Dr Stephen Child.

The meeting closed at 3.17pm.

**Southern Cross Medical Care Society
Annual General Meeting 2018**

**POSTAL VOTES
CERTIFICATE**

Resolution	For	Against
1. To receive the Annual Report and Financial Statements.	8589	291
2.1 To re-elect Roger France as a Director.	7894	763
2.2 To re-elect Greg Gent as a Director	7819	797
3. To re-appoint Elizabeth Hickey as a Trustee	8259	511

I, Rachel Cunningham, have been authorised by the Board to receive and count postal votes for the 2018 Southern Cross Medical Care Society Annual General Meeting.

I have carried out the duties set out in Rule 13.13 (e) (i) and (ii) and the postal vote results are shown in the table above.

Signed  Date 5.12.18.