

BP6166S

**Minutes of the 58th Annual General Meeting
of Southern Cross Medical Care Society**

Held on Thursday, 28 November at 2:00pm
at the Great Northern Room, Ellerslie Event Centre, Auckland

- Present: G W Gent, Chairman
- Ms C M Drayton, G R W France, Ms E M Hickey, 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, F Brown, V Caisley, Dr S Child, A McPhail, R Ogilvie, R Salton, C Watney, and R Cunningham (Secretary), K Baldock and S Ferris (KPMG, external auditors), Sam Cosgriff (Finity Consulting) 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. Mr Gent commented that this would be Ms Cunningham's last AGM, thanking her for nearly 20 years' service to the Society.
- Apologies: J Smeed (Appointed Actuary, Finity Consulting).
- 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. He also noted that just over 10,000 members had participated by submitting an online vote or by appointing a proxy.
- Voting and speaking protocol: Mr Gent outlined the voting and speaking protocols to be followed in dealing with the various motions to be considered at 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 2018/19 financial year, highlighting the organisation's

solid financial performance and focus on value, affordability and sustainability.

Mr Gent commented that for every dollar received in premiums in the past financial year, 89 cents was paid out in claims, which represented excellent value for Members.

Mr Gent commented that premium affordability was a big issue for the Society and its Members. Despite this, New Zealanders continued to see the value in health insurance. The Society's membership grew to more than 870,000. The Society retained its A+ Standard and Poor's credit rating

The average pay-out ratio among the other health insurers in New Zealand was just 67 cents in the dollar (with one for-profit health insurer paying out just 60 cents in the dollar). Mr Gent noted that if the Society had applied the same pay-out ratio to its premium income, it would have paid \$315.5m less in claims.

While the Society's market share remained at 62 per cent, it paid 73 per cent of all health insurance claims.

There were two key factors that influenced premium increases during the year.

- 70% of the increase was the result of more Members claiming more, which reflects the great value Members receive but also puts upward pressure on premiums.
- 30% of the increase reflected increases in procedure price rises.

Average premium increases were around nine per cent while CPI was 1.7 per cent.

Mr Gent went on to comment on regulation and governance. The regulatory environment was changing, with more scrutiny on how the Society manages risk and supports Members. The Board actively monitors and reviews the Society's risk profile relative to regulatory guidance and requirements and the Board was very comfortable with the Society's robust practices. However, the new raft of regulations has seen an increase in staff and costs in key areas.

The successful Affiliated Provider programme and being part of the wider Southern Cross family were ways the Society was looking to alleviate premium inflation and deliver more value to Members.

Mr Gent thanked two Directors who were retiring at this AGM – Ms Hickey (whose service included chairing the Audit and Risk committee) and Dr Leightley (who as an anaesthetist made a valuable contribution to the Board in his understanding of a range of medical specialities).

Mr Astwick, the Chief Executive Officer, gave a presentation on the Society's operational performance and decisions taken that would enable the Society to deliver more value to Members.

Claims cost escalation had reduced to five per cent from eight per cent in FY18. Investment in data and digital platforms had seen a strong lift in Members using My Southern Cross, and enabled the Society to scale efficiently, deliver better experiences and avoid millions of dollars in operating costs. More than 95% of all claims by volume are now processed electronically. Member satisfaction remained high with a net promoter score of 51%.

The Affiliated Provider programme had been successful in moderating procedure price inflation. With nearly 2,000 providers across 31 specialties, the programme saved the membership \$56 million – equivalent to five per cent in premiums – in the last financial year.

Mr Astwick said attracting younger Members was a key focus area. Continuing to build the corporate wellbeing programme – BeingWell - was central to this.

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 2019, 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 questions from one

Member regarding the Society's operating deficit and investment strategy.

The motion that the Annual Report and Financial Statements for the year ended 30 June 2019, 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. Ms Hickey and Dr Leightley were retiring and Mr Murray Jordan and Dr Martin Misur had been nominated to fill those vacancies. Ms Raue was retiring by rotation and, being eligible, offered herself for re-election. Mr Gent advised that the Board supported the election of Mr Jordan and Dr Misur, and the re-election of Ms Raue.

Item 2.1: It was moved by Mr Gent and seconded by Mr Taylor that Mr Murray Jordan be elected as a Director of the Society.

Mr Jordan 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 Mr Gent and seconded by Ms Drayton that Dr Martin Misur be elected as a Director of the Society.

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

Item 2.3: It was moved by Mr Gent and seconded by Mr France that Ms Raue be re-elected as a Director of the Society.

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

Appointment of Trustees:

Mr Gent outlined the role of the Trustee and that Ms Hickey's retirement from the Board created a vacancy that Ms Drayton had been nominated to fill. In addition, Mr France was retiring by rotation and, being eligible, offered himself for re-appointment.

Item 3.1: It was moved by Mr Gent and seconded by Dr Leightley that Ms Catherine Drayton be appointed as a Trustee of the Society. With no discussion from the floor, the motion was put to the meeting and passed on the voices.

Item 3.2: It was moved by Mr Gent and seconded by Mr Taylor that Mr Roger France be re-appointed as a Trustee of the Society. With no discussion from the floor, the motion was put to the meeting and passed on the voices.

General business:

Mr Gent advised that the Member who had raised items for discussion, Dr Ivan Bergman, had been unable to attend the meeting, so introduced the three items set out in the Notice of Meeting:

- Item 4.1: That the medical advisor for the Southern Cross Medical Care Society should be a registered specialist medical practitioner with a significant involvement in private practice for a period of greater than 10 years. This individual should have experience in the delivery of private practice surgical care. In the event this post is occupied by someone who does not meet this criteria then an associate medical advisor should be appointed.
- Item 4.2: That all changes that reduce benefits to any health insurance policy should not be applied to those currently insured, but to future policies only.
- Item 4.3: That Southern Cross Medical Care Society should ensure that the care delivered by facilities and practitioners to Southern Cross Members is at or above the level of District Health Boards or other public health care facilities.

Mr Gent invited Mr Astwick to comment on each topic.

Regarding 4.1, Mr Astwick agreed that the role of Chief Medical Officer was very important, and that the Society was very fortunate to have Dr Stephen Child in the position. It was a multifaceted role for which Dr Child was eminently qualified. The Society also had other medically qualified staff, including Dr Liz Zhu who had trained and practiced as an orthopaedic surgeon in the US.

Regarding 4.2, Mr Astwick said that equality of Members was very important to Southern Cross, and that over the years the Society had added many more benefits to policies than had been removed. Healthcare is constantly evolving. In making any decision to remove benefits, the Society works

closely with Members to determine what benefits are highly valued and which are no longer relevant.

Regarding 4.3, Mr Astwick said private health insurance is about peace of mind and choice, and quality of care was paramount. The Society took great care in discussions with providers to ensure that agreed pricing did not compromise quality of care and allowed for appropriate clinical variation. It was providers who were ultimately responsible for what treatment was provided.

Mr Gent invited comments from the floor relating to item 4.1:

A Member questioned whether the Society would consider expanding its medical advisory panel to include appropriate specialist expertise.

Mr Gent commented that the Society works with the appropriate Colleges and specialities today on a case by case basis as required. Dr Child also responded.

Mr Gent invited comments from the floor relating to item 4.2:

Members asked questions regarding an example of a benefit that has been removed from policies, and the process by which the Society engages with Members regarding benefit changes.

Mr Gent gave the example of the recent removal of the funeral benefit from some policies. Management discussed the process of engaging with Members, including focus groups, day to day customer feedback and feedback from frontline staff.

A Member gave an example of six benefits being removed from Ultracare policies and sought an assurance that this won't become an annual practice. Mr Gent assured the Member that many more benefits are added than are removed overall.

Mr Gent invited comments from the floor relating to item 4.3:

A Member gave an example of his personal experience of the health system, noting the pressure on the public system and questioning whether there is a better model.

Mr Gent commented that the Society shares the Member's concerns and is looking at evolving to a more sustainable model.

Another Member questioned whether it was the Society's strategy to remove choice, seeking an assurance that transparency will be maintained.

Mr Gent advised that the value of private health insurance lies in both choice and speed of access. Members may opt to trade-off choice for better value health insurance.

Another Member questioned the relative quality and service provided in the public sector vs the private sector. Mr Astwick responded that the Society strives for quality in partnership with clinicians.

Mr Gent thanked Members for their views.

Other General Business

Mr Gent invited Members to raise any further items of general business:

Members raised the following points:

- Premium affordability for older Members, and whether the Society has considered a loyalty discount for long-standing members.
- Seamless claims payment by the Society.
- The opportunity to market and sell health insurance to the large number of immigrants arriving in New Zealand.
- Increasing pressure on the health insurance model due to technological advances and patients' expectations of choice.
- Member co-payments to maintain choice and access to services without increasing cost to the Society.
- Audit standards for Affiliated Providers to monitor costs being charged to Members.
- Capping premiums for members aged over 80 years of age.
- No-claims reward.

The Chairman, CEO and members of the management team responded, commenting on each of the points/questions 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 3:49 pm.


**Southern Cross Medical Care Society
Annual General Meeting 2019**

**POSTAL VOTES
CERTIFICATE**

Resolution	For	Against
1. To receive the Annual Report and Financial Statements	7307	254
2.1 To elect Murray Jordan as a Director	6248	680
2.2 To elect Dr Martin Misur as a Director	6494	533
2.3 To re-elect Julia Raue as a Director	6768	562
3.1 To appoint Catherine Drayton as a Trustee	6859	401
3.2 To re-appoint Roger France as a Trustee	6741	537

I, Rachel Cunningham, have been authorised by the Board to receive and count postal votes for the 2019 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 28.11.19