



ENGEN | Medical Benefit Fund



Administered by

**Discovery
Health**

ENGEN MEDICAL BENEFIT FUND
ANNUAL GENERAL MEETING

2021

Notice is hereby given that a virtual Annual General Meeting of the Engen Medical Benefit Fund will be held on Wednesday, 30 June 2021, at 12:00.

Agenda

1. To read the notice convening the Annual General Meeting.
2. To approve the minutes of the previous Annual General Meeting held on 13 June 2019.
3. To receive and adopt the Chairperson's report for the year ended 31 December 2020.
4. To receive and adopt the Annual Financial Statements and the Auditor's report for the year ended 31 December 2020.
5. To appoint the auditors for the ensuing year.
6. To announce and ratify the results of the Trustee election and appointment of Trustees.
7. To elect members of the Disputes Committee
8. To transact any other business of which due notice has been given.
9. Close

Please note: Notice of any motion to be placed before the AGM must reach the Principal Officer not later than seven days prior to the date of the meeting.

You may use this link to register to participate in the Annual General Meeting:

<https://www.connectbylumi.com/4xMGVP>. We have also published the details on the Fund website at www.engenmed.co.za.

By order of the Board



REAGAN MARCHANT
PRINCIPAL OFFICER
CAPE TOWN MAY 2021

Please note that this document includes highlights of the Fund's financial performance for 2020.
A copy of the full set of Annual Financial Statements is available on the website at www.engenmed.co.za

Minutes of the Annual General Meeting of the Engen Medical Benefit Fund

Date: 13 June 2019

Time: 10:00

Venue: Conference Room, Ground Floor, Engen Court, Thibault Square, Cape Town

The following persons were in attendance:

Trustees

Mr R Marchant	Employer appointed Trustee and Chairperson
Mr S Abrahams	Member elected Trustee
Mr W Cleverly	Member elected Trustee (alternate)
Dr A Gray	Member elected Trustee
Ms B Ndlovu	Employer-appointed Trustee (alternate)

Members

Mrs G van der Spuy	623683370
Mr P Ayers	623666120
Mr A Vismer	623696160
Ms C van Nelson	623772540
Mr P Emery	623694340
Mr J Hey	623709860
Mr A Appleby	623728260
Mr A Ngqaneka	663012010
Mr A Gazi	662295760
Ms V Ngqulunga	663300440
Mr L Chayichayi	623937310





Mr D Norton	623684690
Mr C Don	623666950
Mr M Kroqwana	623845990
Mr C Pepler	623696320
Mr M Bukani	623712240
Mr J Bosman	623817100
Mrs R De Kock	623699210
Mr N Titus	623765610
Mr B Morris	623663560
Ms F Bawa	623713070
Mr R Basson	623744420
Mr R Boje	623686180
Mr M Knickelbein	623764390
Mr A Pearson	623766600
Mr D Gildenhuis	623824940
Mr V Arendse	623759440
Mr P Sutherland	623663640
Mr J Knopp	623825930
Mr R Carr	623816860

By Invitation

Mr D Spangenberg	Discovery Health – Finance Manager
Ms G Smit	Discovery Health – Client Relations
Mr E du Toit	Alexander Forbes Health – Actuarial Consultant
Ms A Pietersen	Discovery Health – Fund Coordinator

Apologies

Ms L Shaw	Principal Officer
Ms A Bennetts	Member-Elected Trustee
Mr S Johnston	Discovery Health – General Manager
Ms D du Toit	Discovery Health – Fund Manager

1. Welcome and Quorum

The Chairperson, Mr Marchant, welcomed all attendees present and opened the meeting.

At 10:15, it was noted that a quorum was present since there were 30 members in attendance.

No additional matters were raised for discussion.

2. Notice convening the meeting

The Chairperson confirmed the Notice of the Annual General Meeting of the Engen Medical Fund was distributed within the required timeframe. The notice was taken as read.

It was noted that copies of the Notice of the Annual General Meeting were available at the Meeting.

3. Confirmation of the minutes of the Annual General Meeting held on 22 June 2018

There were no comments or corrections to the draft minutes of the Annual General Meeting held on 22 June 2018, and it was duly confirmed as a true recording of the Meeting.

4. Chairperson's report for year ended 31 December 2018

The Chairperson's report previously circulated and included in the Notice of the 2018 Annual General Meeting, was considered read, and adopted.

The Chairperson thanked the members for the prudent management of their benefits. He further thanked the members for their support with the transition from MMI Health to Discovery Health, the Fund's new administrator. He noted that with any transition and change, there are obstacles to overcome and was pleased to report that most have been resolved. The Fund will continuously aim to provide high quality service delivery to the members.

The Chairperson assured the Meeting that the Board of Trustees and all other Sub-Committees were committed to ensure corporate governance standards are maintained in the management of the Fund. These Committees provide support to the Board of Trustees in decisions to manage the Fund in a responsible and compliant manner. It was noted that the Board also makes use of various experts and professional service providers to guide decisions. As a result, the Trustees are able to ensure the Fund's stability and provide relevant benefits to members.

It was noted that the Fund produced a surplus of R22.4m in 2018, compared to R23.8m the previous year. The Chairperson confirmed these were two very good years for the Fund. The good surplus was mainly due to lower than expected claims costs through the prudent use of the benefits by the members.

The solvency ratio increased from 56.7% in 2017 to 66.2% in 2018, which was higher than the statutory solvency ratio requirement of 25% and more in line with the actuarial recommendation of 60% for the size and demographic profile of the Fund. The 60% solvency has now been breached, and the actuaries and Trustees are comfortable that the Fund is sustainable.

There was a question raised on what the Fund strategy is around the use of the surplus. The Chairperson indicated that where possible, the Trustees will consider the use of any surplus in excess of the levels required to maintain the Fund's sustainability, to either enhance benefits or limit the levels of future contribution increases.

5. Board of Trustees report for the year ended 31 December 2018

The annual report of the Board of Trustees (BOT) for the year ended 31 December 2018 was taken as read.

The Chairperson invited comments or questions on the Board of Trustees Report, but none were raised, and the Report was adopted.

6. Adoption of the Annual Financial Statements in respect of the 2018 financial year

The Chairperson confirmed Highlights from the Annual Financial Statements were included in the Notice of the Annual General Meeting. He indicated the Annual Financial Statements as at 31 December 2018, were made available to members on request and copies thereof were also available at the Meeting.

The Chairperson confirmed the 2018 Annual Financial Statements were audited by PricewaterhouseCoopers, who issued an unqualified opinion.

No questions were raised and the Annual Financial Statements was unanimously adopted.

7. Governance Matters

7.1 Appointment of Auditors

The Chairperson indicated that the Audit Committee recommended the continuation of services rendered by PricewaterhouseCoopers as external auditors for the ensuing year, which the Board of Trustees approved.

The members present ratified the appointment of PricewaterhouseCoopers as the Fund's auditors for the 2019 financial year.

7.2 Ratification of appointment of Trustees or Alternate Trustees since the last AGM

Mr Mabotja was seconded to Petronas, resulting in an Employer-appointed vacancy on the Board of Trustees. The Employer recommended the appointment of Ms B Ndlovo to fill the vacancy, which the Board approved effective 22 November 2018.

The Terms of Office of the following three member-elected Trustees expired immediately prior to this Annual General Meeting: Mr S Abrahams, Dr A Gray and Ms A Bennetts. A Trustee election process was initiated and nominations were received for four candidates: the three retiring Trustees (who were eligible for re-election) and one other candidate, Mr M Pearson.

In a vote by the members, the following three Trustees were duly re-elected to serve a following term from 1 July 2019 to 30 June 2022: Mr S Abrahams, Dr A Gray and Ms A Bennetts. The Meeting confirmed the re-election of these Trustees, and ratified the resulting changes to the composition of the Board of Trustees.

The Chairperson welcomed the new employer-appointed Trustee, and the member-elected Trustees to the Board.

8. General

Action Items

- 8.1. There was concern around the rate at which claims were being rejected by the current administrator when compared to processes under the previous administrator. The Chairperson would address this with the administrator to determine the volume and value of rejections, whether it has increased or not.
 - 8.2. Concern was noted around the Discovery statement format and layout of the information on the statement. The Chairperson indicated that he will address this with the administrator, to include sub totals for every claim line, so that it is made easier for members.
 - 8.3. In response to concerns raised about SARS tax certificates, members were informed of a new requirement from SARS that the Administrators have to provide members with a breakdown summary of claims. It was noted that only when SARS audits the member, it is required to submit requested documents. The Chairperson will address a one-page summary for tax submission purposes.
- The Chairperson noted a representative from Discovery Health was present to assist individual members in addressing any benefit-related queries.
- No matters for discussion were submitted in advance.

9. Closing

The Chairperson expressed thanks and appreciation to:

- Members of the Board of Trustees for their support and invaluable insights
- The Audit Committee, Clinical Sub-Committee, Ex-Gratia Committee, Benefits and Contributions Sub-Committee, Investment Sub-Committee and the Operations Sub-Committee for their untiring hard work and dedication to members, the Fund and Trustees
- The Principal Officer and her team for their dedication and commitment service excellence to the Fund
- Discovery for the diligent manner in which they effectively manage the day to day affairs of the Fund
- MMI for carrying out the last administration duties during the first 6 months of 2018, and their assistance during the transition to Discovery
- The Employer for its active support of the Engen Medical Benefit Fund
- Healthcare consultants, Alexander Forbes Financial Services (Pty) Ltd for their diligent monitoring of the Fund performance, and consulting advice
- Momentum Consultants for their investment expertise and guidance
- Medical advisor, Dr Anthony Davidson for his valuable contribution
- External auditors, Pricewaterhouse Coopers, for efficiently conducting their audit
- Members of the Fund for their ongoing support.

The Chairperson re-iterated that the Board of Trustees remains committed to the future sustainability of the Engen Medical Benefit Fund, and will ensure competitive benefits are offered to the members.

There being no further matters for discussion, the Chairperson thanked all present for their attendance and closed the Meeting at 11:00.

CERTIFIED TO BE A TRUE RECORD OF THE PROCEEDINGS

CHAIRPERSON

DATE



Chairperson's report

On 15 March 2020, the President of South Africa declared a National State of Disaster due to the global COVID-19 pandemic and placed the Country in Lockdown from 26 March 2020. Due to the restrictions that arose as a result of the lockdown, and having due regard for the safety of all members, the Fund applied for exemption from the Council for Medical Schemes to postpone the 2020 Annual General Meeting, which would have been held on 18 June 2020.

In July 2020, Highlights of the Fund's financial position at year end 2019, were sent to all Fund members in an effort to keep them updated about the financial position of the Fund.

Unfortunately, the pandemic and resulting restrictions prevailed throughout 2020 into 2021.

In Circular 20 of 2021, the Council for Medical Schemes confirmed that where schemes were unable to hold an annual general meeting, the matters that would have been dealt with at the meeting in 2020, may be addressed and concluded at the 2021 annual meeting.

To ensure the Fund will be able to hold an Annual General Meeting in 2021, the Board of Trustees registered appropriate Rule changes to hold the Meeting via a virtual platform.

We believe the virtual format of the Meeting will encourage attendance and we look forward to a very successful Annual General Meeting.

Trustees

Board of Trustees in office during the year under review:

Appointed members

- | | | |
|-----------------------------------|-------------------------|---|
| ■ Mr R Marchant – Chairperson | Employer representative | (Resigned: 12 June 2020) |
| ■ Ms S Moroka-Mosia – Chairperson | Employer representative | (Chairperson: effective 3 September 2020) |
| ■ Mr S Chili | Employer representative | (Resigned: 31 December 2020) |
| ■ Ms D Mokotjo | Employer representative | |
| ■ Ms N Ngema | Employer representative | |
| ■ Ms L Shaw | Employer representative | (Appointed: 12 June 2020) |

Elected members

- | | |
|-----------------|-----------------------|
| ■ Ms S Abrahams | Member representative |
| ■ Ms A Bennetts | Member representative |
| ■ Dr A Gray | Member representative |
| ■ Ms G King | Member representative |
| ■ Mr T Nthabane | Member representative |

Alternate trustee

- | | |
|---------------|-------------------|
| ■ Ms B Ndlovu | Alternate trustee |
|---------------|-------------------|

The Trustee election that would have taken place during 2020 had to be postponed and the terms of office of Mr Tekane Nthabane and Ms Glenda King were extended to the Annual General Meeting (AGM) which is to be held on 30 June 2021. Being eligible, both Mr Nthabane and Ms King are available for re-election.

There is also one vacant Alternate Trustee position, which arose from the resignation of Mr Malcolm Pearson, who is no longer a member of the Fund.

In April 2021, the Fund called for nominations for candidates to fill the above three positions on the Board of Trustees from July 2021.

You now have an opportunity to vote in the election. Included with this communication is a Ballot Paper, which you can use to vote for your candidates. Please complete the Ballot Paper and return it to the Fund as indicated.

The results of the election will be announced at that Annual General Meeting.

Appointment of the Auditor

The Fund Rules determine that the Scheme's external auditor must be appointed by a Resolution taken at the Annual General Meeting

Due to the uncertainty created by the Lockdown restrictions in 2020, and to ensure the timeous finalisation of the audit, the Board took an extraordinary decision to re-appoint PwC as auditor for the 2020 audit. The Annual General Meeting will be requested to condone the Board's appointment of the auditor, and to ratify the decision of the Board of Trustees. The Meeting will also be required to appoint the auditor for the 2021 audit.

Risk management

Risk is defined as the possibility of an event materialising, which could have a negative impact on the achievement of the Scheme's strategic objectives.

A practical risk management approach was selected, and the Board of Trustees agreed on a defined process to enable them to identify, assess and agree on risks and risk mitigation steps. Through this practical and comprehensive process, the Board has identified a number of key risks and is in the process of developing and implementing mitigation measures.

Ultimately the Board of Trustees have to manage these risks with oversight being provided by the Audit and Risk Sub-Committee.

The Fund's financial performance

Engen Medical Benefit Fund experienced a good 2020 and the Fund's financial performance was better than the budget.

This was brought about by lower than expected utilisation of healthcare services, mainly as a result of the COVID-19 lockdown restrictions.

The impact was most severe in April and May 2020, when only emergency and COVID-related care were available in-hospital.

The Fund is still experiencing lower than expected claims costs in 2021.

Financial performance overview

In 2020 the Fund delivered well on most of its key metrics:

Metric	2020 vs 2019 Actuals		Current Status
MEMBERSHIP	-0.31%	◀▶	Membership remained stable at 3 444 principal members at the end of 2020 vs 3 455 in 2019
AVERAGE AGE OF BENEFICIARIES	1.17%	▲	The average age of the members deteriorated to 40.55 years in December 2020, from 40.08 years in 2019. This is higher than the industry average of 32.5 (CMS:2019)
PROPORTION OF LIVES OVER THE AGE OF 65	3.29%	▲	The pensioner ratio of 18.17% was higher than the 17.59% in 2019, and significantly higher than the industry average of 7.9% (CMS:2019)
RESERVE RATIO	20.77%	▲	The reserve ratio increased to 110.88% (R269.76m) in 2020 vs 90.11% (R236.55m) in 2019. These reserves exceed the required 25% level and the increase is largely due to the low claims experienced due to COVID-19 lockdown restrictions.
ACCUMULATED FUNDS PER MEMBER	29.42%	▲	The accumulated funds per member was R80 181 at the end of 2020 vs R61 953 in 2019
OPERATING SURPLUS (before investment income)	56.33%	▲	The operating surplus was R50.90m at the end of 2020 vs R32 04m in 2019
INVESTMENT INCOME	-46.08%	▼	The investment was lower: R8.64m in 2020 vs R16.04m in 2019 as poor market conditions prevailed in February and March 2020 due to the outbreak of the pandemic.
CLAIMS RATIO	-8.22%	▼	The claims ratio decreased to 71.27% from 79.49% in 2019, and was better than the industry average of 90.58% (CMS:2019)
NON-HEALTHCARE COSTS	0.01%	◀▶	Non-healthcare costs were at 5.48% at the end of the year vs 5.47% in 2019, which is lower than the industry average of 8.87% (CMS:2019)

COVID-19 pandemic

During 2020, treatment and care for COVID-19 were included in the definition guidelines for Prescribed Minimum Benefits. These guidelines have been updated several times during the year to set out recommendations for the screening, diagnosis, treatment, and care of individuals with suspected and confirmed COVID-19, as per World Health Organisation case definitions. The latest enhancements to the requirements were made on 4 February 2021, and include guidelines for:

- the funding of COVID-19 vaccines as Prescribed Minimum Benefits;
- antigen testing for diagnosis of COVID-19;
- the funding of pulse oximeters, subject to clinical protocols; and
- clarification of the funding of positive PCR tests when the patient is not referred by a healthcare provider.

In addition to the Prescribed Minimum Benefits for COVID-19 related care, the Fund pays for certain supportive COVID-related care from the risk benefits.

Due to the lockdown measures in place and the seriousness of the virus, people avoided healthcare facilities. This behaviour caused the Fund's claims experience to be lower than anticipated, with a savings of R42.5m on the expected claims expenditure for 2020. This savings was taken into consideration when a 0% contribution increase was determined for 2021.

It is however expected that members who postponed medical procedures during 2020, will still undergo these procedures and that the Fund will have to use the savings achieved in 2020 to pay for these delayed procedures. The Trustees further expect substantial costs to be incurred during the second and third quarters of 2021, to pay for COVID-19 testing, treatment, care and the vaccines.

The Fund is in a strong financial position with a reserve ratio of 110.88% and the costs for delayed medical procedures and COVID-19 will not negatively impact the Fund's position as a going concern.

The COVID-19 pandemic impacted financial markets world-wide, specifically in February and March 2020, and also the investment income of the Fund. Although no impairment of investments was required, the Scheme's investments performed poorly against initial expectations.

Through its relationship with the Administrator, Discovery Health (Pty) Ltd, the Fund is benefitting from the work of an industry working group's input to the National Department of Health's vaccine access framework. This includes work on regulatory concerns, logistics of distribution and administration, clinical protocols and guidelines, information and record-keeping, funding options and central co-ordination and leadership.

Engen Medical Benefit Fund members will, after registration be able to obtain their vaccinations at sites made available through the Discovery vaccine distribution process.

In the 12-months since the outbreak of the pandemic in March 2020, the Fund has paid COVID-19 related claims amounting to R19.1m. In that period 2 257 COVID-19 tests were conducted and 432 of the Fund beneficiaries tested positive for the virus.

It is with sadness that the Fund notes the death of 22 beneficiaries as a result of COVID-19. The Trustees extend their heartfelt condolences to the affected families and also other members who may have been affected in these unprecedented times.

We urge all members and their families to continue to take all the necessary precautions to ensure the spread of the virus is contained and lives are protected. It remains important to adhere to safe distancing, wear a mask and sanitise. It is also important to be vaccinated.

Other industry issues

National Health Insurance: Very slow progress in finalising the NHI Bill was highlighted by the Chair of the Portfolio Committee in March 2021. He highlighted three processes that must be addressed simultaneously, starting during the parliamentary recess period (19 March to 4 May 2021):

1. Completion of the report summarising provincial public hearings
2. Digital capturing of over 60 000 written submissions, half of which were already submitted electronically.
3. Finalising the schedule for oral presentations by 121 organisations.

Section 59 Inquiry: During May 2019, allegations of racial bias and discrimination in the management of fraud, waste and billing abuse (FWA) were made by groups of Black African, Indian and Coloured healthcare professionals by Medical Schemes and their Administrators. Then Minister of Health, Dr. Aaron Motsoaledi, instructed the Council for Medical Schemes (CMS) to investigate these allegations, and an independent Investigation Panel was convened to carry out the investigations and to act as an advisory panel to the CMS and the Minister of Health.

On Friday 15 January 2021, the Panel's interim findings were made available. The Fund noted the following findings:

- 29.1. *We have found that some of the current procedures followed by schemes to enforce their rights in terms of section 59 of the Act, are unfair. We have also found that Black providers are unfairly discriminated against on the grounds of race.*

29.2. *These findings are both serious and far-reaching. But we believe that it is important to stress that we have not found evidence of deliberate unfair treatment – the evidence shows the unfair discrimination is in the outcomes. Our Constitution regards the form of unfairness that we have found to exist as constituting unfair racial discrimination.*

Finding 29.1 is based on the fact that there is a higher proportion of Black, Indian and Coloured healthcare professionals amongst those found to have breached industry rules in their billing, following detailed forensic investigations. The Panel reached this conclusion despite the fact that there was no specific evidence of even a single case wherein the methodology or approach to the identification and investigation of the Fraud Waste and Abuse (FWA) matter has been found to be inappropriate.

The Panel was clear in recognising that there is no evidence of deliberate, explicit racial bias in the methods and algorithms employed by schemes and their administrators used to identify and investigate FWA.

12. We do not find evidence of explicit racial bias in the algorithms (to the extent that the workings of the algorithms).

The industry was given an opportunity to comment on these findings by 5 April 2021. The Fund awaits the final report and will take the necessary steps to ensure fairness in the processes deployed to manage fraud, waste and abuse.

Protection of Personal Information Act (POPIA): In preparation for the implementation of the Protection of Personal Information Act (POPIA) in July 2021, the Information Regulator has published guidelines on POPIA Codes of Conduct. This will assist the medical scheme industry to draft its own Code of Conduct under the leadership of the Council for Medical Schemes.

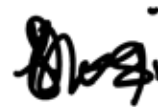
Mr. Reagan Marchant, the Principal Officer has been appointed as the Fund's Information Officer and the Administrator has implemented secure communication processes, whereby communication sent to members that contain personal and health information, can only be accessed through the member's own unique PIN. In addition, only third party persons to whom a member or a beneficiary has formally given consent, will in future be able to obtain information, or deal with the Fund on their behalf.

Summary

The threats to our members' health and the financial burdens brought about by the COVID-19 pandemic has gripped the attention of the Board of Trustees and have kept us focused on ensuring our members' healthcare funding needs can be met over a broad spectrum, including those related to the global pandemic.

Whilst we are keeping a close eye on the Fund's financial performance, the Trustees are comfortable that the Fund continues to be sustainable, offering excellent value. Our focus is on ensuring peace of mind to all our members for all appropriate major medical expenses, at affordable contribution rates.

We thank you for your support to the Fund and the Trustees in 2020 and now.



Shirley Moroka-Mosia
Chairperson

Independent auditor's report

To the members of the Engen Medical Benefit Fund

Opinion

We have audited the financial statements of Engen Medical Benefit Fund (the Scheme), set out on pages 16 to 47 of the financial statements, which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, the statement of changes in funds and reserves and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Scheme as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Medical Schemes Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Scheme in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards).

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Key audit matter	How our audit addressed the key audit matter
<p>Outstanding claims provision</p> <p>The outstanding claims provision of R9 320 000 at year-end as described in note 8 to the financial statements, is a provision recognised for the estimated cost of healthcare benefits that have been incurred prior to year-end but that were only reported to the Scheme after year-end.</p> <p>The outstanding claims provision is calculated by the Scheme's actuaries and administrator which is reviewed by management and the Audit Committee and recommended to the Board of Trustees for approval.</p> <p>The Scheme's actuaries and administrator use an actuarial method, based on the Scheme's actual claim development patterns throughout the year, to project the year-end provision. This method applies the Basic Chain Ladder (BCL) method.</p> <p>The claim service date, processing date and amount are used to derive claim development patterns. These historical patterns are then used to estimate the outstanding claims provision.</p> <p>We identified this to be a matter of most significance to the audit because of the uncertainty in the projected claims pattern. A change in the projected claims pattern can cause a material change to the amount of the provision.</p>	<p>We obtained an understanding from the Scheme's actuaries and administrator regarding the process to calculate the outstanding risk claims provision, which included the design and implementation of controls within the process. The actuarial method applied by the Scheme is one that is generally applied within the medical scheme industry.</p> <p>We obtained the actual claims data from the member administration system covering the year ended 31 December 2020. The actual claims data includes the impact of COVID-19 and therefore the impact has been taken into account in the claims patterns in the outstanding claims provision.</p> <p>For a sample of actual claims received by the Scheme in the 31 December 2020 financial year, we tested the accuracy of the service and process dates. No material inconsistencies were noted.</p> <p>We substantively tested a sample of claims against the relevant Scheme rules and assessed completeness of the claims data.</p> <p>The claims data that was included in the Scheme's actuarial method was agreed to the above actual claims data with no material inconsistencies noted.</p> <p>To assess the reasonableness of the Scheme actuaries' estimation process, we compared the actual claim results in the current year to the prior year provision. Based on our assessment, the estimation process was considered reasonable.</p> <p>We have evaluated management's experts by assessing their competence, capability, and objectivity and noted no aspects requiring further consideration. We also obtained the outstanding claims provision report from the Scheme's actuaries and assessed whether the inputs, assumptions, methodology and findings per the report were consistent with our testing above. Based on the results of our assessment we accepted the inputs, assumptions, methodology and findings as reasonable.</p> <p>We obtained the actual claims run-off report up to 31 March 2021 from the Scheme's administrator. For a sample of claims from the report, we tested the occurrence and accuracy of the claims as well as the accuracy of the related service dates and we identified no material inconsistencies.</p> <p>We enquired from the Scheme's administrator whether there were delays in processing claims at year-end that could possibly impact the claims run-off pattern subsequent to year-end. The Scheme administrator confirmed that there were no such delays.</p> <p>We obtained the treatment pre-authorisations approved prior to year-end from the Scheme administrator and selected a sample to assess if any of the selected claims related to a health insurance event before year-end were included in the actual claims run-off report up to 31 March 2021. No material inconsistencies were noted.</p>

Other Information

The Scheme's trustees are responsible for the other information. The other information comprises the information included in the 'Engen Medical Benefit Fund Annual Financial Statements for the year ended 31 December 2020'. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Scheme's Trustees for the Financial Statements

The Scheme's trustees are responsible for the preparation and fair presentation of the financial statements, in accordance with International Financial Reporting Standards and the requirements of the Medical Schemes Act of South Africa, and for such internal control as the Scheme's trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Scheme's trustees are responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Scheme's trustees either intend to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error

and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Scheme's trustees.
- Conclude on the appropriateness of the Scheme's trustees' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Scheme's trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with the Scheme's trustees, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Non-compliance with the Medical Schemes Act of South Africa

As required by the Council of Medical Schemes, we report that there are no material instances of non-compliance with the requirements of the Medical Schemes Act of South Africa that have come to our attention during the course of the audit.

Audit Tenure

As required by the Council for Medical Schemes' Circular 38 of 2018, Audit Tenure, we report that PricewaterhouseCoopers Inc. has been the auditor of Engen Medical Benefit Fund for four years. The engagement partner, Nicolette Jacobs, has been responsible for Engen Medical Benefit Fund's audit for four years.

The logo for PricewaterhouseCoopers Inc. is written in a cursive, handwritten style.

PricewaterhouseCoopers Inc.

Director: NA Jacobs

Registered Auditor

Cape Town, South Africa

21 April 2021



Highlights of the Fund's financial performance

Statement of Financial Position

as at 31 December 2020

ASSETS		2019	2020
		R	R
Non-current assets			
Financial assets at fair value through profit or loss		151 329 627	181 854 014
Current assets			
Financial assets at fair value through profit or loss		94 938 140	127 879 798
Trade and other receivables		68 414 413	88 545 535
Cash and cash equivalents		734 218	2 072 152
Investment of Medical Savings Account monies		5 844 774	14 175 410
Total assets		246 267 767	309 733 812
FUNDS AND LIABILITIES			
Members' funds			
Accumulated funds		215 347 657	274 139 082
Current liabilities			
Medical savings account liability		30 920 110	35 594 730
Trade and other payables		20 636 553	24 119 788
Outstanding risk claims provision		3 783 557	2 154 942
		6 500 000	9 320 000
Total funds and liabilities		246 267 767	309 733 812

Statement of Comprehensive Income

for the year ended 31 December 2020

	2019 R	2020 R
Risk contribution income	212 955 014	219 009 758
Relevant healthcare expenditure	(169 274 432)	(156 089 801)
Net claims incurred	(169 034 667)	(155 905 469)
Risk claims incurred	(165 643 116)	(151 928 055)
Managed care: management services	(4 161 610)	(4 367 749)
Third-party claim recoveries	770 059	390 335
Net expense on risk transfer arrangement	(239 765)	(184 332)
Risk transfer arrangements fee	(1 102 344)	(1 153 686)
Recoveries received on risk transfer arrangements	862 579	969 354
Gross healthcare result	43 680 582	62 919 957
Administration expenditure	(11 530 683)	(11 877 139)
Net impairment losses on healthcare receivables	(108 713)	(134 134)
Net healthcare result	32 041 186	50 908 684
Other income	17 380 925	10 087 045
Investment income	16 040 910	8 647 671
Interest on Medical Savings Account monies	(1 343 301)	(1 439 374)
Sundry income	(3 286)	-
Other expenditure	(1 902 975)	(2 204 304)
Asset management expenses	(559 674)	(764 930)
Interest paid on Medical Savings Accounts	(1 343 301)	(1 439 374)
Net surplus for the year	47 519 136	58 791 425
Total comprehensive income for the year	47 519 136	58 791 425

Statement of Changes in Funds and Reserves

for the year ended at 31 December 2020

	Accumulated funds	Total members' funds
	R	R
Balance as at 1 January 2019	167 828 521	167 828 521
Net surplus for the year	47 519 136	47 519 136
Balance as at 31 December 2019	215 347 657	215 347 657
Net surplus for 2020	58 791 425	58 791 425
Balance as at 31 December 2020	274 139 082	274 139 082

Statement of Cash Flows

for the year ended 31 December 2020

	2019 R	2020 R
CASH FLOWS FROM OPERATING ACTIVITIES		
Net surplus for the year	47 519 136	58 791 425
Adjustments for:		
Investment income	4 830 190	(12 497 932)
Interest on Medical Savings Account monies	(1 343 301)	(1 439 374)
Interest paid on Medical Savings Account monies	1 343 301	1 439 374
Impairment losses	108 713	134 134
Cost incurred in managing investments	559 674	764 930
Net realised and unrealised losses/(gains)	(20 871 100)	3 850 261
Cash flows from operations before working capital changes	32 146 613	51 042 818
Working capital changes:		
Decrease/(increase) in accounts receivable	93 311	(1 472 067)
Decrease in accounts payable	(2 146 434)	(1 628 615)
Increase in Medical Savings Account liability	2 173 567	3 483 235
(Decrease)/Increase in outstanding claims provision	(2 456 605)	2 820 000
	(2 336 161)	3 202 553
Cash flows from operating activities	29 810 452	54 245 371
Interest received	4 559 798	4 708 353
Net cash flows from operating activities	34 370 250	58 953 724
CASH FLOWS USED IN INVESTING ACTIVITIES		
Withdrawal from fair value through profit or loss investments	61 467 847	–
Purchase of fair value through profit or loss investments	(100 240 891)	(47 481 122)
Net cash flows used in investing activities	(38 773 044)	(47 481 122)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		
	(4 402 794)	11 472 602
Cash and cash equivalents at the beginning of the year	30 192 3030	25 789 509
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	25 789 509	37 262 111

Accumulated funds and solvency ratio

	2019	2020
Member's funds	R215 347 657	R274 139 082
Solvency ratio	90.11%	110.88%
Gross contribution income	R236 559 291	R243 305 826
Accumulated funds per member	R61 953	R80 181

Key financial and service metrics

	2019	2020
	TOTAL 2019	TOTAL 2020
Number of members at the end of the period	3 444	3 455
Average number of beneficiaries for the period	6 763	6 895
Average age of the beneficiaries for the period	40.55	40.08
Pensioner ratio	18.17%	17.59%
Average net contribution income per member per month	5 299	5 136
Net claims as a percentage of net contributions	71.27%	79.49%
Average administration costs per member per month	R246.60	R234.21
Average administration expenses as a percentage	5.48%	5.47%
Accumulated funds per beneficiary	R40 904	R31 470

Engen Medical Benefit Fund, registration number 1572, is regulated by the Council for Medical Schemes and administered by Discovery Health (Pty) Ltd, registration number 1997/013480/07, an authorised financial services provider.