

**Minutes of the 52<sup>nd</sup> Annual General Meeting  
of Southern Cross Medical Care Society**

Held on Thursday, 5 December, 2013 at 7.03pm  
at The Ellerslie Convention Centre, 82-100 Ascot Avenue, Ellerslie, Auckland

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Present:

G S Hawkins, Chairman

Dr D D Baird, Ms C B Durbin, G W Gent, Ms E M Hickey,  
P J Meyer and K B Taylor (Directors)

Senior management and advisors, including Dr I B McPherson, P J Tynan, G Searle, J O'Toole, L Bojsen-Moller, A McPhail, April Walker, Vicki Caisley, M J Veal, J Smeed, Dr I Pogson, K L Jones, Rachel Cunningham, and others totaling in excess of 75 Members.

Welcome:

Mr Hawkins welcomed Members to the meeting.

Introduction:

Mr Hawkins acknowledged the presence of three past Chairmen of the Board.

Mr Hawkins introduced the Directors, Dr McPherson, the Group Chief Executive Officer, Mr Tynan, the Chief Executive Southern Cross Health Society and Mr Jones, the Secretary to the Board and Members of the senior management team to the meeting.

Apologies:

Mr Jones advised that there were no apologies received.

There were no additional apologies from the floor.

Notice of meeting:

Mr Hawkins advised that notice of the Annual General Meeting had been given in accordance with the Rules of the Society.

Quorum:

Under the Society's Rules, the Quorum required for a meeting is 12 Members. As there were more than 12 Members present, Mr Hawkins declared the meeting open.

Voting and speaking protocol:

Mr Hawkins 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:

In presenting the Annual Report and Financial Statements, Mr Hawkins gave a brief overview of the 2012/13 year. (A copy of Mr Hawkins' presentation is available on the Society's website).

Dr McPherson, the Group Chief Executive Officer and Mr Tynan, the Chief Executive of the Health Society made presentations on the Society's performance. (Copies of these two presentations are also available on the Society's website).

Dr McPherson advised the meeting that this was his last AGM as Group CEO of Southern Cross as he had signaled to the Board of his intention to stand down from the CEO role at the end of June 2014.

Mr Hawkins on behalf of the Board thanked Dr McPherson for almost twelve years dedication to Southern Cross and acknowledged his significant contribution over that time.

It was then moved by Mr Hawkins, and seconded by Mr Taylor, That the Annual Report and Financial Statements, including the Auditor and Appointed Actuary's Reports, for the year ended 30 June 2013 be received.

With no discussion or questions, the motion was put to the meeting and passed.

#### Election of Directors:

While the number of candidates this year equalled the number of vacancies, the Rules of the Society still require an election of Directors to be held at the AGM.

#### Resolution 2.1

Mr Hawkins commented that as Mr Meyer had advised us in advance that he was retiring this year, the Board initiated a recruitment process to fill the one vacancy on the Board.

When filling this vacancy the Board considered the skill set of the current Directors, identified the qualifications, competencies and experience that are required, and engaged a recruitment firm specialising in senior appointments.

The recruitment firm conducted an extensive and publicly advertised search for suitable candidates who were then put through a rigorous interviewing and assessment process – the kind of process you would expect to find associated with any senior appointment in a business of our size and complexity.

In particular, the recruitment process took into account the new legislative requirements under the Insurance (Prudential Supervision) Act 2010 designed to ensure Directors of insurance organisations are suitably qualified and experienced to fulfil the role.

Under requirements of this Act, the Reserve Bank of New Zealand has developed Standards for Directors and sets out the factors that an insurer must take in to account when making an appointment to one of these positions.

This process resulted in the identification of Catherine Drayton who was subsequently nominated for the role of Director.

Ms Drayton made a brief speech to the meeting introducing herself and outlining the skills and experience she can bring to the Board.

It was moved by Mr Hawkins and seconded by Mr Gent, That Ms Drayton be elected as a Director of the Society.

With no discussion, the motion was put to the meeting and passed.

This year, in accordance with the Rules of the Society, Liz Hickey retires by rotation and, being eligible, offered herself for re-election.

#### Resolution 2.2

It was moved by Mr Hawkins and seconded by Mr Gent, That Ms Hickey be re-elected as a Director.

With no discussion, the motion was put to the meeting and passed.

#### Appointment of a Trustee:

Mr Keith Taylor had been nominated for office as a Trustee to fill the vacancy created by the retirement of Mr Meyer.

Regarding the role of a Trustee, Mr Hawkins advised the meeting that under the Rules of the Society, all property belonging to the Society vests in the Trustees who hold it in Trust for the Members. It was appropriate therefore that the Trustees are also Members of the Board and make investment decisions which are clearly consistent with the Board's strategic directions.

It was moved by Mr Hawkins and seconded by Ms Hickey, That Mr Taylor be appointed as a Trustee of the Society.

With no discussion, the motion was put to the meeting and passed.

#### General business:

##### Directors Remuneration

Mr Hawkins commented that the Society's cap on the total amount of Director remuneration of \$361,900 has not increased since 1997.

In order for the Society to attract and retain Directors of a high professional standard it was important for remuneration levels to be comparable with other organisations of a similar size or complexity.

The Board were not looking for a change in their remuneration at this stage, but were looking to agree a process that was considered fair and equitable for both members and Directors.

Following a consultation process with members in 2014, a resolution may be put to members for consideration at the 2014 AGM.

A Member from the floor commented that as the Society was a not-for-profit entity any increase in Directors remuneration was not warranted.

A Member from the floor disagreed with the previous speaker and spoke of rewarding Directors appropriately so the organisation was run properly for members.

A Member from the floor commented that he supported Directors using independent organisation like the Institute of Directors to establish a market fee for Directors remuneration.

Other

There were no formal items of general business that were notified by the close-off date of 1 October 2013.

However, Mr Hawkins did invite further discussion by Members.

A Member from the floor wanted to know whether any progress had been made in applying age banding to over 65 year olds which had been brought up at last year's AGM.

Mr Tynan commented that there was a case for doing it, but the period of time over which it was implemented is the major problem to be resolved.

A Member from the floor commented that although Affiliated Providers now account for 27% of the Society's total claims cost, in his opinion the Society was moving too slowly and were not aggressive enough in tackling the issues.

Mr Hawkins commented that increasing the amount of claims through Affiliated Providers would see a reduction of choice.

A Member from the floor who was a Physician and not a surgeon commented that reimbursement levels they received were too low.

In answer to a question from the floor why the Society covered expensive procedures such as cancer treatment when it was done in the Public Sector, Dr McPherson advised the Member that it was a competitive situation.

A Member from the floor questioned how the Member discount was calculated for travel insurance when at no stage are you requested to supply your membership number when applying for travel insurance online.

Mr Tynan commented that travel insurance was run in a subsidiary company of the Trust and not the Medical Care Society, and they accepted the position that Members answered questions truthfully.

In answer to a question from the floor regarding Mr Brian Gaynor's comments on the Southern Cross investment performance as compared to Medibank Private's performance, Mr Hawkins advised that Mr Gaynor had been selective in the years he had compared. For example during the Global Financial Crisis in 2009 Southern Cross had made nearly a 10% return as compared to Medibank Private's 5% negative return. Also in keeping with the Reserve Bank requirements, we have a conservative investment policy which provides a sustainable and predictable income over time, while maintaining a relatively low risk portfolio.

In answer to a comment from the floor regarding overseas treatment, Mr Hawkins advised the Member this had previously been looked at and the full report was on the Southern Cross website.

Retiring Director:

Mr Hawkins on behalf of the Southern Cross and the entire Board thanked Mr Meyer for his services to Southern Cross for eleven and a half years.

Mr Meyer briefly spoke to the meeting in reply.

There was no further business, and the meeting closed at 8.11pm.