

Notice is hereby given that the 56th Annual General Meeting of the Southern Cross Medical Care Society will be held at 2pm on Wednesday, 6 December 2017 at the Ellerslie Event Centre, 80-100 Ascot Avenue, Greenlane, Auckland.

Items of business

Annual Report and Financial Statements

1. To receive the Annual Report and Financial Statements for the year ended 30 June 2017 and the Auditor's and Appointed Actuary's reports thereon. See Notes to item 1.

Election of Directors

There are two vacancies and two candidates for those vacancies.

- 2.1 To re-elect Catherine Drayton as a Director. Ms Drayton retires by rotation and, being eligible, offers herself for re-election.
- 2.2 To re-elect Keith Taylor as a Director. Mr Taylor retires by rotation and, being eligible, offers himself for re-election. See Notes to item 2 for candidate profiles.

Appointment of a Trustee

3. To re-appoint Greg Gent as a Trustee. Current Trustee Greg Gent retires by rotation and, being eligible, offers himself for re-appointment. See Notes to item 3.

Director Remuneration

4. To consider and, if thought fit, to pass the resolution that pursuant to Rule 7.8(a) the total Director remuneration pool shall increase from \$476,000 to \$499,800 per annum, with effect from 1 January 2018. See Notes to item 4.

General business and Member questions

5. To discuss changes to the way we communicate for future Society AGMs. See Notes to item 5.
6. Request that the Board of Southern Cross Medical Society require the Executive Team to review the Affiliated Provider policy to allow provision for members to see non-Affiliated providers when a member has a clinical requirement for expert specialist care for a rare condition, that is not covered by Southern Cross's Affiliated Providers. See Notes to item 6.

Rachel Cunningham

Secretary

Southern Cross Medical Care Society

11 October 2017

Please use the voting/proxy form(s) to have your say on items 1-4.

Notes to item 1 – Receive Annual Report and Financial Statements

The Annual Report and Financial Statements can be viewed online before the AGM at www.southerncross.co.nz/annualreport. Annual Report summaries will also be available to members attending the meeting.

Notes to item 2 – Election of Directors

There are two candidates seeking election to the Board and two vacancies. The Board supports the re-election of both Catherine Drayton and Keith Taylor based on their skills, experience and contribution to the Society since their original election to the Board.

2.1 – To re-elect Catherine Drayton as a Director



Catherine Drayton (BCom, LLB, FCA)

Catherine Drayton is a professional, non-executive director who was first elected to the Society's Board in 2013. She says she would be privileged and grateful if members re-elect her to the Board. Ms Drayton is Chair of Christchurch International Airport and a director of engineering consultancy BECA Group, Fronde Systems Group and Ngai Tahu Holdings Corporation. She is a member of the University of Canterbury Council and former chair of the audit and risk committee for the Christchurch Earthquake Recovery Authority (CERA). Ms Drayton is a former partner in charge of assurance and advisory services for Pricewaterhouse Coopers in Central and Eastern Europe, and is a fellow of Chartered Accountants Australia and New Zealand.

2.2 – To re-elect Keith Taylor as a Director



Keith Taylor (ONZM, BSc, BCA, FIA, FInstD)

Keith Taylor has over 30 years' experience in the insurance and financial services industries as a chief executive, chief financial officer and actuary. He was first elected to the Society's Board in 2010. Mr Taylor is chair of Butland Holdings, Gough Holdings, and Auckland Council Investments Limited. He is also a director of Port Marlborough and the Reserve Bank of New Zealand. He has previously been a director of property, insurance, trustee and investment companies in both New Zealand and Australia.

Notes to item 3 – Appointment of a Trustee

The Rules of the Society provide that there shall be three Trustees. All property belonging to the Society vests in the Trustees who hold it in trust for the Members. Trustees are nominated from among the Directors and elected by Members. Trustees receive no additional remuneration for the role. Greg Gent was first appointed as a Trustee in 2014. This year he retires by rotation and, being eligible, offers himself for re-appointment. The Board supports Mr Gent's appointment as Trustee based on his skills, experience and contribution to the Society since his original election to the Board.



Greg Gent (ONZM)

Greg Gent joined the Society's Board in 2011 and was elected Chairman in 2014. He has been a Trustee of the Society since 2014. Mr Gent is a Northland dairy farmer with a wealth of governance experience. From 2001 to 2011 he was a director of New Zealand's largest co-operative business, Fonterra. Prior to Fonterra's formation he was chair of Northland Dairy and Kiwi Co-op Dairies. He is chair of Dairy Holdings Limited; a director of New Zealand Institute for Plant and Food Research; and was a member of the Northland District Health Board from 2010 to mid-2015.

Notes to item 4 – Director remuneration

The total Director remuneration pool is determined by members. That total pool is then used to pay the Society's Chairman and six other Directors to recognise the work and responsibilities they undertake on behalf of members.

The current Director Remuneration pool was approved by members at the 2014 AGM.

The Board's approach to Director Remuneration is set out in the Society's Director Remuneration Policy. The Policy's key principles are:

- Director remuneration plays a role in attracting and retaining appropriately qualified and experienced individuals to serve on the Society Board.
- The Society is a not-for-profit, member driven, mutual organisation and, as such, should demonstrate moderation in Director remuneration.

- To balance these factors, the Society will set Director remuneration at or below median levels for Directors of New Zealand businesses that are of a comparable size and complexity.
- Market rates and medians will be established through consultation with independent experts in the field of director remuneration during periodic reviews initiated by the Board.

In accordance with the Society's Director Remuneration Policy, the proposed remuneration pool increase was determined after reviewing data compiled by independent remuneration consultants. The proposed increase to the total remuneration pool of 5% - from \$476,000 to \$499,800 - is below the movement in Directors fees for comparable organisations over the past three years. It is also below the general wage inflation rate over the comparable period.

If the resolution is passed by members the total Director remuneration pool will be increased with effect from 1 January 2018. From that date the Chairman's remuneration would increase from \$110,000 to \$116,000 per annum; base fees for Directors would increase from \$55,000 to \$58,000; and the remaining \$35,800 would be available as fees for work done by Directors on the Board's standing committees.

Further information, including the Society's Director Remuneration Policy, can be accessed at www.southerncross.co.nz/agm.

GENERAL BUSINESS

Two general business topics have been raised for discussion (ie: these are not resolutions that members are being asked to vote on). Members are also welcome to raise additional questions at the meeting.

Notes to item 5 – Changes to future AGM communication

The Board wants to formally signal that changes are planned for 2018 in the way we communicate with you regarding the Society's AGM.

From next year the Society will move to paperless AGM communications. This means we will no longer post out AGM information packs (ie the Notice of Meeting, voting forms etc) to policyholders. Instead, we will complete our transition to electronic AGM communications.

Since our successful trial in 2014 - in which a few thousand members received emails and lodged their AGM votes online - electronic voting has grown to cater for around half of all Southern Cross members this year.

The Society believes 2018 is the right time for AGM communications to go fully paperless, saving around \$300,000 of members' money (and numerous trees) each year.

To ensure you make the transition with us, we strongly recommend you sign-up for My Southern Cross - our free, secure, online service that makes managing your health insurance policy easy. As well as including you in AGM communications next year (and beyond), signing up for My Southern Cross will enable you to do a broad range of other things online - make claims, apply for prior approval, manage payments, update your contact details and much more.

For more information, and to register, go to www.mysoutherncross.co.nz

Notes to item 6 – Specialist care for rare conditions

This is a member-initiated item for discussion.

Request that the Board of Southern Cross Medical Society require the Executive Team to review the Affiliated Provider policy to allow provision for members to see non-Affiliated providers when a member has a clinical requirement for expert specialist care for a rare condition, that is not covered by Southern Cross's Affiliated Providers.

Rationale:

- Whilst the Affiliated Provider scheme has successfully streamlined the approval and payment of specialist services, there are some conditions where there are no expert providers on the list. There needs to be a balance between the best medical outcome for the member and the streamlined process of administering claims.
- Members take insurance as reassurance that they can receive the best practice clinical care, should they develop a medical condition. Restricting the providers to only Affiliated Providers means that they cannot use their insurance to provide the best care for rare conditions when the expert not be an Affiliated Provider. It is a different case to when members go to a specialist out of preference, when there are expert providers on the Affiliated List.
- Members have no control as to whether the expert specialist in their condition negotiates an Affiliated Provider contract with Southern Cross.
- When you're diagnosed with a chronic illness for which there is no cure, only management, you want to be able to access the experts to help manage it in the very best way. This is the time that you are relieved you have insurance to enable you to get the best treatment. Discovering that there are no experts on the Affiliated Provider list, adds further stress at an already stressful time.

Proposed change

A change could be made to the current Affiliated Provider rules without impacting on the financial viability of the scheme by:

- When a specialist provider, expert in the condition being treated, is on the Affiliated Provider list, then the current rule stands that only Affiliated Providers are covered.
- If there is no specialist provider, as defined by the New Zealand Organisation for Rare Disorders (NZORD) GP referral database, and / or in consultation with a Rare Disorders Specialist Advisor, then a non-Affiliated Provider can be used to provide expert care.
- The fees refunded should be aligned with the fees for Affiliated Providers, members would need to pay any difference.
- To keep administration costs to a minimum, online and direct debit should be used to process claims.

The change outlined above is also in alignment to the 'Why Choose Us?' text on Southern Cross' website which states "Your health comes first, that's why making the decision to get health insurance is an important one. Having health insurance means you'll have faster access to specialist appointments, diagnostic procedures and treatment without the risk of having to wait on NZ public hospital waiting lists".

Sue Atkins, Mt Eden

Comments from the Board:

We would like to acknowledge Sue Atkins for raising this topic, and for her general support of the Affiliated Provider programme. Our work with Affiliated Providers is an important part of the Society's efforts to keep claims costs (and hence the cost of premiums) down, and to streamline services for members. It has been estimated that the claims cost saving from Affiliated Providers in the 2016-2017 financial year was around \$35m. This matter will be fully discussed as an item of general business at the meeting.

AGM Guest speaker – Billie Jordan: Founder of the world's oldest dance crew

After surviving an abusive childhood and repeated trauma in the Christchurch Earthquake, Billie Jordan used these experiences as a catalyst for improving the lives of people in her newly adopted community on Auckland's Waiheke Island. In 2013 she established the Hip Op-eration Crew – a hip hop dance group consisting of members aged 73 to 98 years old which has since performed around the world.

Billie was the New Zealand Woman of the Year in 2016/2017, a recipient of a Queens Honour (MNZM) in 2016 and received the New Zealander of the Year award in the Local Hero category in 2015. Hollywood has purchased her life rights and plan to make a block buster film about her.

Billie will tell her story – about how she changed the lives of her elderly neighbours and how they changed hers – at the conclusion of the AGM's official business.



Using your voting/proxy form

If you will attend the AGM, bring your voting/proxy form to the meeting to cast your votes.

If you will not attend, please return your completed and signed voting/proxy form to

Level 1, 2 Takutai Square
Britomart, Auckland

or by mail to:

Freepost 247444
PO Box 300547
Albany, Auckland 0752

The forms must arrive **no later than 2pm on Wednesday, 4 December 2017** (48 hours prior to the start of the AGM).