Dearest Member

**UPDATE ON STATUS OF PROPOSED AMALGAMATION OF METROPOLITAN MEDICAL SCHEME WITH MOMENTUM HEALTH**

Last year the Board of Trustees of Metropolitan Medical Scheme (MMS) requested the active participation of members by voting for the proposed amalgamation with Momentum Health. Unfortunately, not enough members of MMS participated in the voting process and with only 34% of members participating, the vote was not valid.

MMS thus continues with “business as usual” in 2017. The Scheme continues to collect premiums, to pay claims and to process chronic and hospital authorisations, etc. However, what is not usual is the high level of contribution increases implemented for 2017 (18% on Premier and 12% on Classic). Also not usual is that the Scheme’s benefits were not increased. In fact, our members’ day-to-day benefits have currently been limited to 50% of the annual benefit for the first six months of 2017.

**FACT: MMS is not sustainable**

It is important to note that the Trustees explored various options for the future. It is clear that MMS is not sustainable into the future; the Scheme’s financial profile is deteriorating due to ageing membership and a drop in the number of principal members.

The loss ratio of the Scheme is 107% and our Scheme had to disinvest a total of R24.3m during 2016.

This state is detrimental to all members since it will result in either liquidation of the Scheme, drastic increases in contributions or significant reductions to member benefits.

**FACT: Amalgamation is the best option**

The only two options available to terminate a medical scheme are to either liquidate the Scheme or to amalgamate with another medical scheme.

The Trustees concluded that amalgamation is the preferred method of termination. Amalgamation will protect the majority of members’ interests since this ensures continuity of medical scheme cover for all members.

Liquidation could result in a period during which some members have no medical cover. The liquidation process can also be protracted and incur considerable costs.

**NEXT STEPS:**

As communicated to all members in November 2016, the Board of Trustees has decided to pursue amalgamation with Momentum Health on 1 July 2017 as the best termination option for the majority of members. The Momentum Health Board of Trustees has agreed to the proposed amalgamation. The business case supporting the 2017 amalgamation is being updated.

This Trustee decision and related business case will be presented to our members and a second round of voting will take place.
To enable the proposed amalgamation to proceed, we need at least 50% of MMS members to participate in the voting process and the majority thereof to vote for the proposed amalgamation.

If the majority votes in favour of the change, the amalgamation will continue and you will get an opportunity before 1 July 2017 to select the Momentum Health benefit option that best suits your requirements.

If the majority votes against the change, it could result in:

- further mid-year increases in the monthly contribution amount to cover claims and expenses, since the current contribution levels are not financially sustainable;
- additional system administration costs related to the outdated platform;
- liquidation of the Scheme, which will leave members with uncertainty regarding medical scheme cover and with exposure to underwriting and waiting periods.

We will soon share more detail regarding information sessions (road shows) and the logistics of the voting process. The voting process is planned to commence on 31 March 2017. The Scheme has been actively contacting members to ensure we have your correct contact details on record. We ask for your assistance in this process.

We encourage you to attend the road show in your area, where you will receive information on how to get advice where required, as well as information regarding the options and choices available on Momentum Health.

Please send any questions relating to Metropolitan Medical Scheme to mmsamalgamation@mmiholdings.co.za.

Kind regards

[Signature]

Ronel du Toit
PRINCIPAL OFFICER
METROPOLITAN MEDICAL SCHEME