Dear Member

PROPOSED AMALGAMATION: METROPOLITAN MEDICAL SCHEME WITH MOMENTUM HEALTH

1. Purpose of this letter

This letter is a further update regarding the proposed amalgamation of the Metropolitan Medical Scheme with Momentum Health.

The purpose of this letter is:

- To inform Metropolitan Medical Scheme members of the process that the Board of Trustees (the Board) and members must follow with respect to the proposed amalgamation; and
- To highlight the importance of the voting process by members in order for the proposed amalgamation to commence.

2. Context

MMI identified Momentum Health as the medical scheme of choice for its employees and with effect from 1 January 2015, all new employees joined Momentum Health. Our Scheme has experienced a drastic reduction in membership and an increase in the average age and chronic profile of members.

The Metropolitan Medical Scheme is not sustainable and will have to be terminated. The Board has two options available for termination, being amalgamation with another medical scheme or liquidation (either voluntary or forced).

After careful consideration the Board has decided unanimously that the majority of members’ interests would be best protected by amalgamating with Momentum Health. This decision is endorsed by the independent actuarial opinion provided by Roseanne da Silva and Associates. The full business case for amalgamation has been submitted to the Council for Medical Schemes. The business case and this report is available for review by members at www.metromed.co.za.

The proposed date for the amalgamation is 1 July 2017.

3. Board’s responsibility

The Boards of the Metropolitan Medical Scheme and Momentum Health have agreed to proceed with the formal amalgamation process in line with the Medical Schemes Act and the rules of both medical schemes.

4. Member’s responsibility: voting on the amalgamation

In order for the amalgamation to proceed, we need approval from the members. We need you to make your opinion heard by voting before 21 April 2017. We encourage all members to attend one of the information sessions that are being held according to the schedule circulated to members, before casting your vote.

5. General information

Momentum Health options and default options

The relevant Momentum Health options are available so you can compare the benefits that each option offers. Full details are available on the Momentum Health website at www.momentum.co.za/health and in their 2017 marketing brochure.

Continued overleaf
If the amalgamation is successful, you will get an opportunity to select the benefit option on Momentum Health that best suits your requirements before 1 June 2017. Momentum Consult and representatives from Momentum Health will assist with this process. Momentum Digital will provide telephonic advice and services for pensioners. Any member who does not make a selection will be defaulted to the appropriate Momentum Health option as indicated below. An extract from the business case which summarises the default options, is available at www.momentum.co.za/health

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**Effective date for membership of Momentum Health**

Once the amalgamation is approved, the options, benefits and contributions on Momentum Health will apply from 1 July 2017.

6. **Voting**

Every Metropolitan Medical Scheme member’s opinion is important. The only way to make sure your opinion is heard, is to participate in the voting process. You must vote either in favour of or against the amalgamation with Momentum Health. The Board relies on the willing and active participation of members to vote by no later than 21 April 2017.

**Why it is important for you to vote**

According to the rules of our Scheme, for the amalgamation process to be approved, at least 50% of Metropolitan Medical Scheme members are required to participate in the voting process to indicate whether they vote in favour of or against the proposed amalgamation. In addition, the voting process is required in terms of Section 63 of the Medical Schemes Act.

If the majority of voting members vote IN FAVOUR OF the change, the amalgamation will proceed after receiving formal approval from the Council for Medical Schemes and the Competition Commission. All members, assets and liabilities of our Scheme will be transferred to Momentum Health on 1 July 2017. The Scheme will wind down by 31 December 2017 to process claims for services rendered prior to 30 June 2017 and to complete the final administration and audit of the Scheme.

If the majority of voting members vote AGAINST the change, the Council for Medical Schemes is unlikely to approve the amalgamation and the proposed amalgamation with Momentum Health will not continue. This means the Board will have to review the options to ensure the financial sustainability of the Scheme in the short term.

This could result in:
- Mid-year contribution increases to cover claims and expenses; and
- Further reductions to member benefits to contain cost escalations.
Please remember that even with such changes in the short term, the Scheme is not sustainable in the medium term and will have to be terminated.

When considering voluntary liquidation, the Board must keep the following in mind:

- That approval must be granted by the Council of Medical Schemes – who are in principle opposed to any voluntary liquidation as they view this as “leakage of assets” intended for medical expenses;
- Additional system administration complexities and costs related to the outdated platform;
- Ongoing deterioration in membership age and chronic profile;
- Impact that liquidation will have where members are left without medical scheme cover and with exposure to underwriting and waiting periods; and
- The uncertainties of a liquidation process including potential legal challenges, unknown costs and the time span and distribution which are controlled by the liquidator.

**How to vote**

All Metropolitan Medical Scheme members are able to vote by one of the following means:

- Electronically via the website link sent in an email from EasyVote;
- For members without email, returning the enclosed ballot form posted to you;
- Using the convenient reply option via SMS; or
- Telephonically via MMS Call Centre.

There will be active follow up of the voting process. While your choice (vote) is confidential, your participation is recorded. Please note that votes cast online will take precedence.

**Voting results**

Members will be informed of the outcome once the voting process has been completed.

We trust that you will now be in a position to make an informed decision about your and your dependants’ future medical scheme cover.

Kind regards

Ronel du Toit

**PRINCIPAL OFFICER**

METROPOLITAN MEDICAL SCHEME