

# NAPOTEL

MEDICAL AID FUND



# ANNUAL REPORT



2019

## OUR VALUES

I- INTERGRITY & INNOVATION  
C- CARE, CLIENT FOCUSED, & COLLABORATIVE  
A - ACCOUNTABILITY  
R- RESPONSIVE & RELIABLE  
E- EXCELLENCE & PROFESSIONAL



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## AUDIENCE AND PURPOSE

This Annual Report for 2019 ("the report") is intended for our key stakeholders.

Our aim is to explain the performance of Napotel Medical Aid Fund to our key stakeholders and highlight the value we bring to our members in an understandable manner.

## SCOPE AND BOUNDARY

The report covers our financial and operational performance for the period 1 January 2019 to 31 December 2019 with forward looking statements on key strategic aspirations for 2020.

We believe that the 2019 report is descriptive and provides material information on the affairs of Napotel Medical Aid Fund. It will empower our members and give them peace of mind, that the Fund is well Managed, Well-Funded, Sustainable and taking good care of their healthcare needs, by giving them the assurance that the Fund is determined to apply the it's resources Economically, Efficiently and Effectively.

## 2019 FUND HIGHLIGHTS

### 1. MEMBERSHIP

#### ***Increase in Lives Covered:***

2018: 4742  
2019: 4635

#### ***Average Principal Member Age:***

2018: 46  
2019: 46.7

#### ***Pensioner Rate:***

2018: 13.1%  
2019: 13.8%

#### ***Number of Principal Members:***

2018: 1891  
2019: 1867

### 2. FINANCIAL

#### ***Admin Fees as % of Gross Contributions:***

2018: 5%  
2019: 5%

#### ***Solvency Ratio:***

2018: 8.81 times  
2019: 11.65 times

#### ***Claims Ratio***

2018: 97%  
2019: 99%

#### ***Reserve Level:***

2018: 68%  
2019: 69%

## REVIEW BY THE CHAIRPERSON & PRINCIPAL OFFICER



**Chairperson**



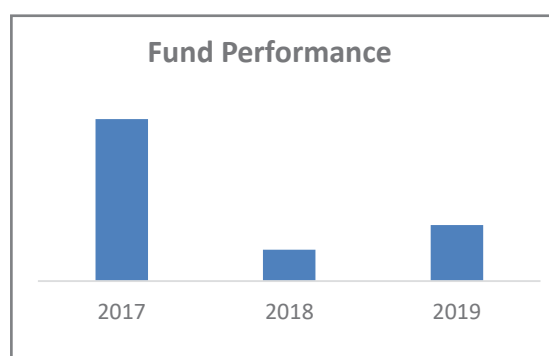
**Principal Officer**

The outbreak of the COVID 19 pandemic late in 2019 has brought about various challenges and uncertainties not only in Namibia but the world at large. The pandemic has affected the economic performance of various industries adversely which has led to mass layoffs of workers and it continue to impact us on a daily basis. With the rapid increase of cases and the recording of our first deaths here in Namibia, the pandemic has become a growing concern as it impacts everyone including Napotel Medical Aid Fund, and as a result the pandemic has been recorded in the Fund risk register, and is being closely monitored by the Board of Trustees.

### FUND PERFORMANCE OVERVIEW

Looking at the year in review, we are pleased to announce that the Fund remains financially stable, the Fund reserves remains healthy and meet the Regulator requirement.

In 2019, Napotel reported a surplus of N\$ 1,463,349. This performance is slightly higher compared to 2018 where the Funded ended with a surplus N\$ 1,136,342 (2018) and lower than 2017 where it ended with N\$ 5,909,232. The 2019 performance was mainly attributed to an escalation in healthcare costs.



### HEALTHCARE COSTS

Rising healthcare cost and medical inflation that outstrips the \*CPI, remains one of the biggest challenges for medical aids funds. In terms of Napotel, the Fund continued to experience an increase in healthcare costs expenditure and for 2019, the Fund reported a high cost in claims compared to the previous financial years. In addition to the increase in cost, the Fund is also faced with:

- ageing Membership
- increase in chronic conditions prevalence
- limited entry of young members to the Fund, and
- fraud, waste and abuse,

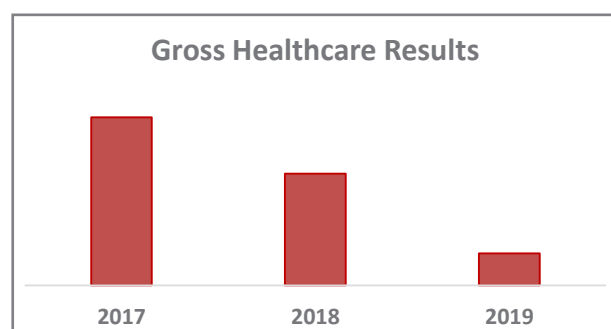
These factors remain pertinent challenges and the key focus of the Board is to firstly, mitigate the impact of chronic conditions, by looking at disease management programs that can assist in the management of chronic illnesses by monitoring member chronic medicine adherence and minimize hospital costs. Secondly, address the component of ageing by looking at options to attract younger, healthier members and thirdly to implement and monitor strategies that will ensure the long-term sustainability of the Fund.

\*CPI-consumer price index

### 2019 CLAIMS EXPERIENCE

In 2019, as a result of the high increase in healthcare costs experienced by the Fund, the Board of Trustees, through the Sustainability Workstream Committee, monitored the Fund claims costs on a monthly basis to gain a better understanding of the contributing factors to the increase as well as considering possible options that could be introduced to address the concern.

One of the key factors identified during this exercise was that, the increase in costs was mainly attributed to high hospital cases. The findings and recommendations from the Sustainability workstream are considered in the 2021 Benefit Design review process. The high claims costs resulted in a lower gross healthcare result for 2019 compared to 2017 & 2018.



## MEMBER PARTICIPATION

The Fund acknowledge that by enhancing members' understanding and knowledge of how the Fund function, including the benefit composition and costs control, could assist members to accept co-responsibility to control and manage costs effectively.

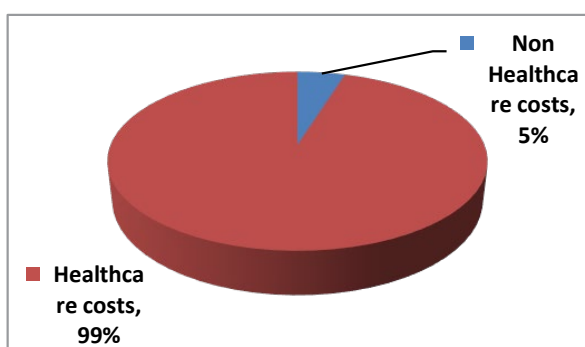
### OPERATIONAL OVERVIEW

The Fund recorded a minimal decline in membership from 1891 principal members in 2018 to 1867 in 2019, and beneficiaries from 4742 in 2018 to 4635 in 2019. The growth in membership of the Napotel Fund is mainly attributed to new appointments by participating employer groups. The Fund contribution income increased by 5.8% from the previous year and claims increased by 8.3%.

### FINANCIAL REVIEW

For the financial year ended 31 December 2019, the Fund ended in a positive result of N\$ 1,436,349 compared to N\$1,136,342 of the 2018 financial year. The Fund continues to monitor and manage its non-healthcare expenditure and it remains one the lowest in the healthcare industry at 5% compared to the open medical aid Funds of average non-healthcare costs of 10-12%.

#### TOTAL FUND EXPENDITURE FOR 2019:



The Board would like to re-iterate that the initiatives of the Fund to contain healthcare costs will not be a success without the member's participation and the Board hereby call on all members to assist the Fund to bring cost down.

## TECHNOLOGY

Technology is changing the way we interact with our members, particularly the younger members, and real-time access to information and service is fast becoming the norm. Napotel Fund is positioned for this and is already offering members a wide range of options to access i.e. web page, mobile app, and a portal access option.



To ensure that we adequately respond to the opportunities presented by this changing environment, Napotel Fund has implemented the digital plan offered by the Administrator, to enhance our platforms to transform the way we connect with our members. Whilst these developments improve the service offering, we recognise that some members still prefer personal interaction and we'll maintain our improved service offering through the Client Service offices of the Administrator.

Despite the introduction of this platforms, the number of members utilizing this services remains low and we encourage members to register and to make fully use of this services made available to them.

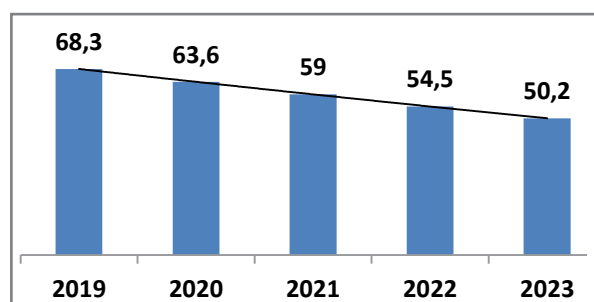
Our Administrator, have also applied measures to manage risks associated with digital transformation, such as cybercrime and breaches of data integrity. The protection of our systems and members personal information forms part of the service level agreement of our service providers.

### FUND 5-YEAR STRATEGY

The Fund performed a risk-based capital assessment during 2018 to determine the appropriate reserve level using a scientific approached. The assessment indicated that a 50% solvency level is sufficiently strong given the size of the Fund and the range of risks facing the Fund. The solvency is being targeted at around 50% in 2023.



## SOVENCY PROJECTIONS (%)



## MARKET POSITION & BENEFIT DESIGN

Napotel Medical Aid Fund is the third largest restricted or closed membership funds from the 4 closed funds in Namibia. Despite it being a closed fund, Napotel faces the same challenges as open funds to remain sustainable and offer competitive benefits to its members.

The Fund remains favourably positioned with a broad range of benefit offering to our members. The Fund membership is well accepted by healthcare providers in Namibia and South African.

We assess our options annually, with an independent market benchmark review conducted by the Actuaries and compared to our benefit offering. A wish list of benefits prepared over the year from our interaction with members, providers and other stakeholders is considered during the benefit review process. The Trustees review the proposals and submit to the actuaries to conduct an actuarial review that ultimately end with the restructuring of benefits where necessary and that ensure we remain responsive to our members' evolving needs.

All benefit and premium changes are submitted to the Regulator for approval before implementation.

## FRAUD, WASTE AND ABUSE



The growing incidences of fraud, wasteful expenditure and abuse of members' benefits is another factor that

impacts the cost of medical aids. In partnership with the Administrator, we have been meticulous in our zero-tolerance response to these unethical practices. The Administrator has also established a focused internal audit department to identify and address \*FWA related cases.

In an attempted effort to address this issue, the Fund embarked on a range of initiatives to improve on member communication channels and enhancing members understanding and knowledge of how the Fund function. This communication also includes the Fund benefit composition, and how members can assist the Fund to control and manage costs effectively and it's done through the following platforms:

- The Fund annual roadshows, Implementation of a Fund webpage, issuing of newsletters to members and Practice Briefs to healthcare providers
- SMS notifications to members on receipt of claims, payment of claims and general communication messages.
- Implementation of Portal access and Mobile App access to Fund information and member benefit details.

## ACKNOWLEDGEMENT

Our members are the cornerstone of our business and we are committed to acting in their best interest at all times. We are continuously finding innovative ways to connect with our members, and healthcare providers to ensure that we provide good services which is critical in achieving this aim. We therefore continue to improve our servicing model, call center and digital platforms on an ongoing basis.

Our membership base is an asset of great value and our primary function is to serve our members to the best of our ability. In doing so, we depend on a range of partners/stakeholders and healthcare service providers to achieve our strategy of providing quality and affordable healthcare. This requires constant engagement and negotiation to ensure we act in the best interests of our members, while ensuring that our partners and that Napotel Medical Aid Fund remain sustainable in the long term.

We would further wish to acknowledge that the success of the Fund cannot be achieved without our Stakeholders which include our Members, Namfisa and NamaF as regulators and all other Stakeholders as our partners for their support in achieving sound performance in challenging conditions. We are confident that Napotel Medical Aid Fund has the necessary financial and human capacity to implement our strategic initiatives, while continuing.

## VOTE OF THANKS

We would like to take this opportunity to convey our most sincere appreciation to our fellow colleagues who served as Trustees for their commitment, support and cooperation during a challenging year. Without these qualities the Fund would not be in the current sound position. We thank each of you for your continued support and dedication.

We also wish to express our heartfelt gratitude to the Administrator, Actuaries and Auditors for their loyalty and dedicated hard work. You are indeed delivering on the Fund's promise to take due care. We are confident that your hard work and dedication is appreciated by all members. We also wish to thank the Management of the participating Employer groups for their support, our regulators, NAMFISA and NAMAFA, for their continued support and guidance in their aspiration to improve the industry.

Ms. D Nashandih  
Chairperson

Ms. G Baisako  
Principal Officer



## HIGHLIGHTS FROM THE BOARD OF TRUSTEES

### INTRODUCTION

The Board of Trustees are pleased to share with its valued members and stakeholders a highlight of the Fund performance. The report covers the operations of the Napotel Medical Aid Fund for the financial year 1 January 2019 till 31 December 2019.

### ANNUAL REPORT REPORTING FRAMEWORK

The Board of Trustees adopted a simple reporting framework for members to easily understand and interpret the information. The Reporting Framework is applied in terms of the Medical Funds Act, the Registered Rules of the Fund, the required Accounting Guidelines for Medical Funds and within any legislative requirements or regulations published by NAMFISA.

### ACCESS TO INFORMATION

The Trustees is committed to ensure that its members and other stakeholders have access to accurate and reliable information. The Board of Trustees acknowledges its responsibility in assuring the integrity of the Annual Report. As such it has taken the responsibility to determine the matters that materially impact the Funds' ability to create value for its members and ensure the sustainability. The purpose of the process is to ensure that only matters that substantively affect the Fund ability to create value are identified and reported on.

### IDENTIFYING RELEVANT MATTERS BASED FOR REPORT

Information from the following sources is used to determine material matters:

- Board and Committees Resolutions and action points
- The Fund's strategic objectives & strategic risk register
- Changes of membership profiles and benefit enhancements of the Fund Actuarial reports

The stakeholder feedback and inputs are obtained through regular annual roadshow as well as formal interactions with various stakeholders provided the Trustees with a good understanding of stakeholder's perceptions, expectations and or needs

## ORGANISATIONAL OVERVIEW

### WHO IS NAPOTEL?

Napotel Medical Aid Fund was established in terms of the Medical Aid Act no.23 of 1995 and operate in compliance with conditions for good corporate governance as set by the regulator of non-banking financial institutions NAMFISA. (Namibia Financial Institutions Supervisory Authority). In terms of these regulations, a medical aid fund must be a non-profit-organization, which belongs to its members, and managed by a Board of Trustees

The aim of the Fund is to provide high quality, cost effective medical aid services to all members.

### OUR VISION , MISSION AND VALUES

To be the preferred Closed Medical Aid Fund for participating employers, providing quality tailor made health benefits and services.

### OUR MAIN ACTIVITIES, PRODUCTS, SERVICES AND THE MARKET WE SERVE:

- As a registered medical fund Napotel Medical Aid Fund undertakes liability in return for contributions from members to:
- Provide access to relevant health services.
- Grant assistance in defraying expenditure incurred in connection with the rendering of relevant health services

### OUR PRODUCT OFFERING

The Napotel Medical Aid Fund offers one option that was designed using an anticipated approach to member value offering and affordability. Fund also offer optional add-on benefits which can be used to increase members benefits to suit their personal medical needs.

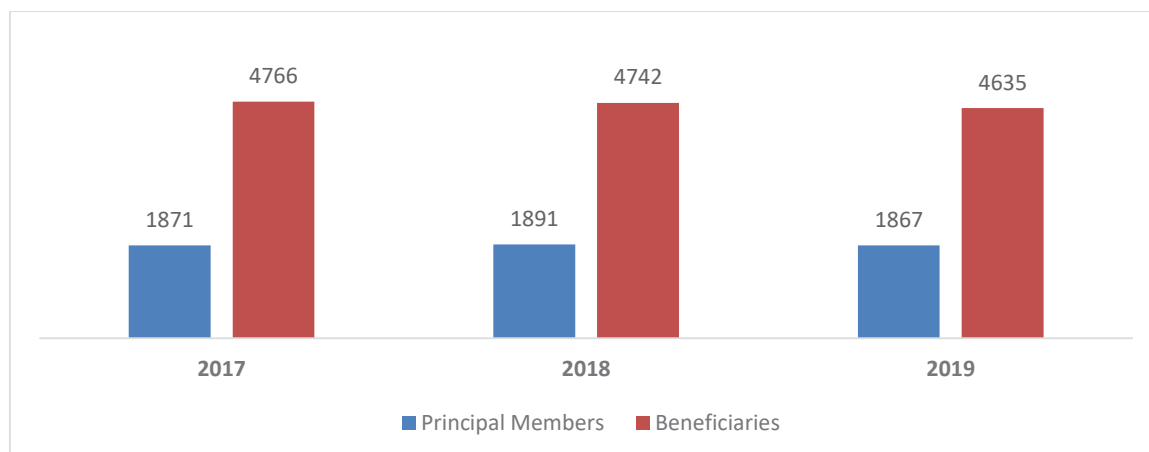
The Product offering is consisting out of the following key aspects:

- In-Hospital Benefits
- Out Of Hospital Benefits
- Preventative Wellness Benefits
- Optional Benefit Builders

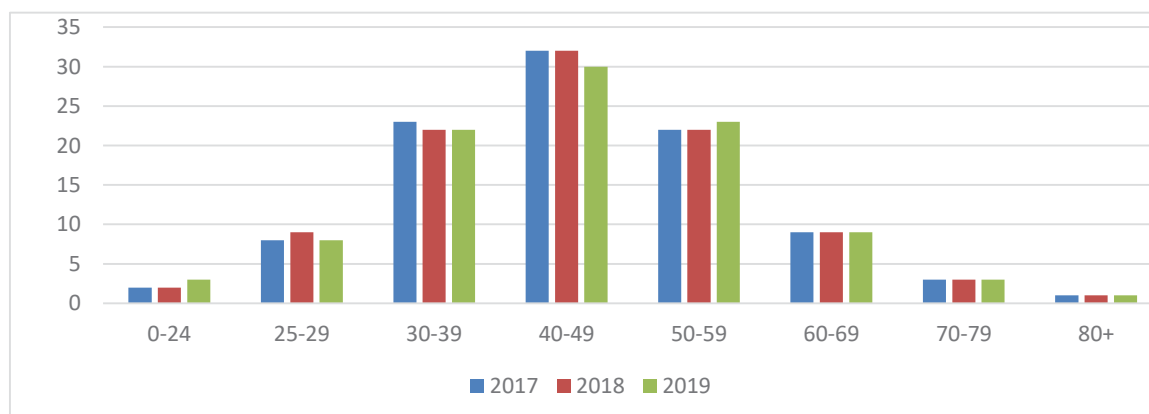
## FUND DEMOGRAPHICS

In 2019, the Fund covered a total of 4,635 beneficiaries, which recorded a slight decrease in total lives compared to 2018. Below are graphs depicting the demographics from 2017 to 2018.

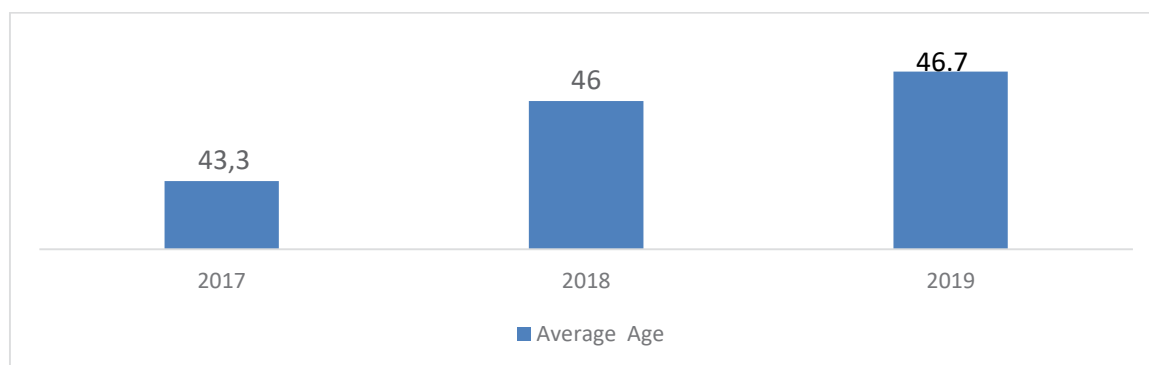
### TOTAL MEMBERSHIP



### MEMBERSHIP PER AGE CATEGORY

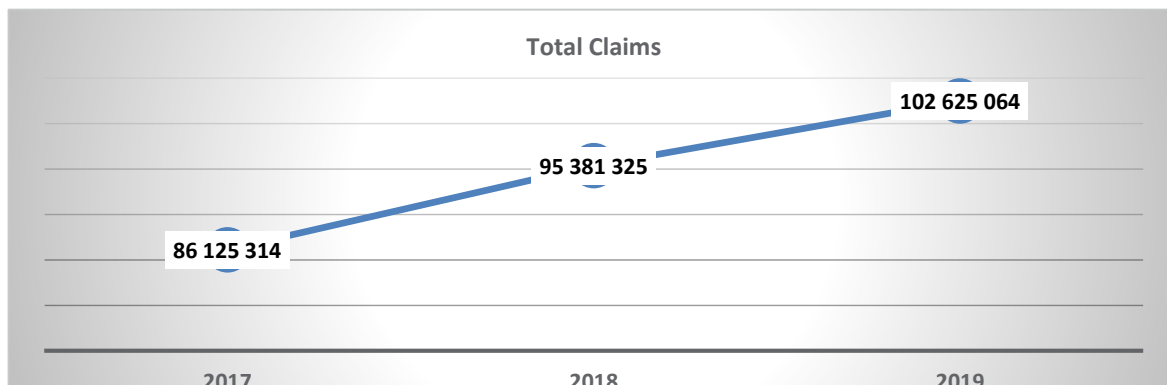


### AVERAGE AGE: PRINCIPAL MEMBERS



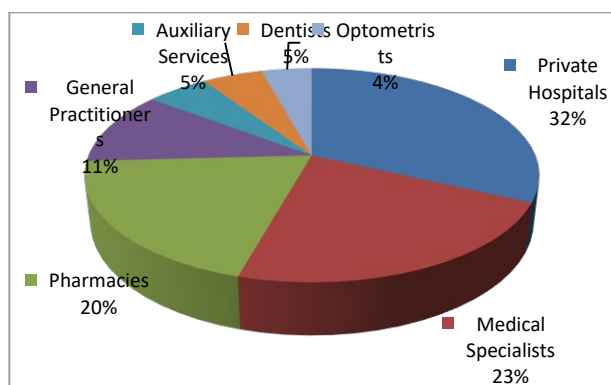
## CLAIMS EXPERIENCE

The Fund settled claims to the value of N\$ 102,625,064. This represent an 8.3 % increase from 2018. Below is graphs depicting the Funds claims payments from 2018.

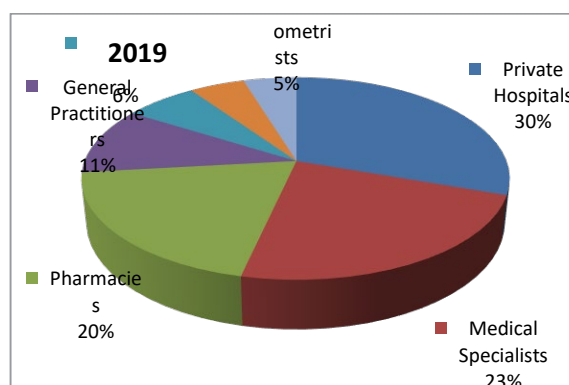


### % CLAIMS PER TOP DISCIPLINE

2017



2018

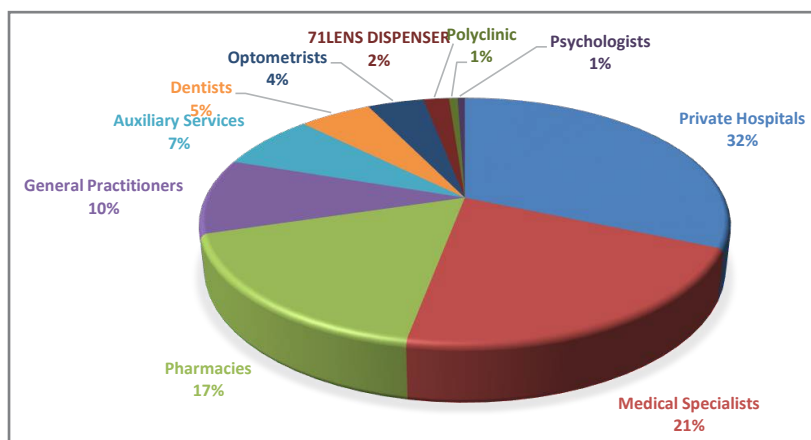


## PERFORMANCE & OUTCOMES

### FINANCIAL PERFORMANCE

#### The Reserve Ratio

In the Medical Aid Industry, the reserve or solvency ratio is defined as the degree to which current assets exceed current liabilities and relates to the ability of an entity to settle its liabilities in the short-term (12 months). The reserve ratio within the medical Fund environment relates to contributions and accumulated funds and is calculated as the Fund's accumulated funds as a percentage of its Annual Gross contributions. As such the reserve ratio fluctuates during the course of any financial year due to the above formula being applied. The Fund commenced the year with reserves of 69% and ended the year with 68% reserve ratio.

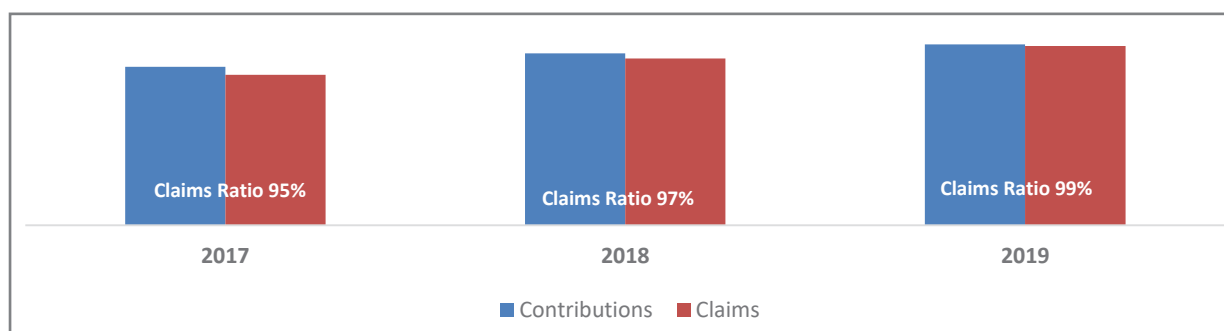


## CLAIMS EXPERIENCE

In 2019 the Fund recorded one of its highest claims compared to 2017 and 2018. It settled claims to the value of N\$ 102,625,064 (331,951 claim lines). This represents an 8.3% increase from 2018 during which the Fund settled claims to the value of N\$ 95,381,325 (448 150 claim lines). The Financial Sustainability work stream together with the Administrators, Prosperity Health initiated a project to do an in depth analysis into the claims payments in 2019, after it became apparent that the Fund was facing a substantial increase in claims. The committee monitored the claims on a monthly basis and also investigated possible alternatives or programs that the Fund can implement to address this concern. The increase in claims was mainly attributed to high hospital cases. The recommendations from the work streams are considered during the benefit review process.

### CLAIMS RATIO

The claims ratio measures the total claims divided by the total contributions for a financial year. For 2019, the Fund overall claims ratio amounted to 99% for 2019 compared to 97% of 2018:



### FUND CONTRIBUTIONS

The Fund annual contribution increases are highly influenced by the claim experience of the Fund. As a result of the high claims experience during the year the Fund announce a 10.5 % increase for 2019. Apart from the claims utilization, factors such ageing of the Fund, increase in utilization, annual Namaf increases are all taken into consideration in determining the new premium contribution for the new financial year.

## FUND SERVICE PROVIDERS

### STAKEHOLDER ENGAGEMENT PROCESS

Stakeholder engagement is a key priority for the Napotel Medical Aid Fund and the Board of Trustees. The business approach of the Fund is based on an outsourcing model where non-healthcare specialized services are outsourced to local experts. The outsourced services include:

- Principal Officer
- Administration
- Actuarial services
- Auditing
- Managed care,
- Pharmaceutical management
- Disease management and HIV/Aids services.

The expert service providers are tasked with managing various risks portfolios within the Fund, with the key objective of adding value to members and assist to contain and monitor costs trends and escalations within the Fund. Another key objective is to provide excellent client services experience by attending and resolving member or providers enquiries or concerns at the first point of contact and within the agreed service levels,

Matters of concern reported by both members and providers are reviewed and reported to the Principal Officer. Thereafter, the escalation processes allow for the matters to be communicated to the Fund Trustees and, in turn, quarterly reports to the Board of Trustees ("Board") highlight material stakeholder concerns for the Board's attention. In addition, the Administrator submit reports at each Board of Trustee and Finance Committee meeting on the service levels, risks review, , claims trends and financial performance. Engagements with stakeholders via the outsourced model are governed through the Service Level Agreements ("SLA") in place with each service provider stipulating their responsibilities. the annual performance assessment of the service providers.

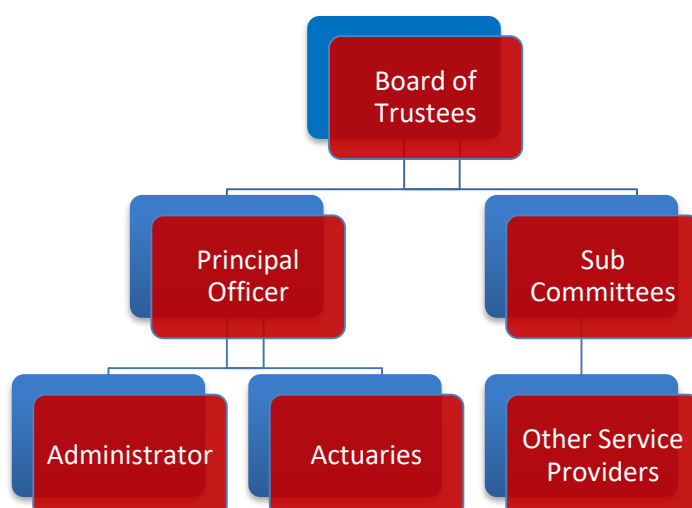
|  |                             |
|--|-----------------------------|
| <b>Principal Officer</b>                       | Ms. Getrud Baisako          |
| <b>Administrators</b>                          | Prosperity Health Namibia   |
| <b>Disease and Hospital Management Service</b> | Prosperity Health Namibia   |
| <b>Actuaries</b>                               | NMG Actuaries & Consultants |
| <b>Investment Consultants</b>                  | NMG Investment Consultants  |
| <b>Auditors</b>                                | Ernst & Young               |
| <b>Bank "Financial Institute"</b>              | Standard Bank               |

## GOVERNANCE STRUCTURES

### BOARD COMMITTEES

In line with corporate governance best practice and in terms of the Fund rules , the Board of Trustees have implemented governance to operate and manage the risks and strategic objectives of the Fund. The Board is therefore supported by the Board committees which are structured and constituted according to the needs of the Fund. The committees report regularly to the Board and the Board ratifies and adopt all contracts entered into and actions performed by the committee.

The Board of Trustees is supported by two Committees and five work streams for the strategic implementation as described on page 18-19 of the Governance Report. The Committees are necessary to comply with legal requirements, good corporate governance standards and to meet the Fund's business ad strategic requirements.





## FUND MANAGEMENT

The Board of Trustees appoint and delegate accountability for the day to day management of the Fund to the Principle Officer. All Board of Trustees have access to the advice and services of the Principal Officer and where needed may seek advice of external experts.

## GOVERNANCE STRUCTURE

In addition to the Board structure indicated on page 14, the Fund outsourced certain functions to extend and complement its structure, and in essence the Board structure is much larger if one considers the functions that have been outsourced through the non-healthcare service providers. Ultimately, the Board of Trustees has fiduciary responsibility to look after the Fund and ensure that the management and actions of the service providers are done in the best interest of the members.

***The Board believes that Napotel Fund has the appropriate mix of skills and experience to best serve the interest of all members***

## BOARD OF TRUSTEES



**Ms. D Nashandih**

\*Chairperson of the Board



**Mr. E Molatudi**

\*Vice Chairperson of the Board  
\*Chairperson of Finance Committee



**Mr. H Witbooi**

\*Board of Trustee



**Mr. G Capellao**

\*Board of Trustee



**Ms. S Bergh**

\* Board of Trustee  
\* Chairperson of Ex-gratia Committee

## BOARD OF TRUSTEES



**Ms. B Hilzebecher**  
\*Board of Trustee



**Mr. J Mouton**  
\* Board of Trustee



**Ms. S Gaweses**  
\* Board of Trustee



**Ms. V Mbuende**  
\* Board o Trustee



**Mr. L Mungunda**  
\* Board of Trustee



**Ms. C Karokohe**  
\* Board of Trustee

## BOARD OF TRUSTEES STATEMENT

The Board of Trustees is committed to the principles of fairness, openness, integrity and accountability in all dealings with its stakeholders. Prosperity Health Administrators is the current Administrator and they assist the Board with the day-to-day operations in claims processing and payment, managed care, pharmaceutical/hospital management, Fund management services and others.

### BOARD OF TRUSTEES

The Board of Trustees meets regularly and monitors the performance of the Fund. During its meetings, the Board addresses a range of key issues and ensures that the Board discussions are informative, constructive and based on items of policy, strategy and performance. This is communicated to all members and health professionals and service providers through newsletter, briefs and other communication modes. The Board of Trustees has access to the advice and services of the Principal Officer and where appropriate, they may seek external independent professional advice. The Board of Trustees has adopted the principles of Corporate Governance as generally referred to as the King III report and as applicable to medical aid funds.

## INTERNAL CONTROLS

The Fund Administrator maintains internal system and controls, designed to provide reasonable assurance to the integrity and reliability of the financial statements, to safeguard, verify and maintain accountability for its assets adequately. Such controls are conducted based on established Fund policies, procedures and the implementation are overseen by trained personnel within the administration company. Prosperity Health (administrator) fulfill all internal audit functions and report any cases of possible non-compliance, abuse, waste and fraud to the Trustees on a regular basis.

## CORPORATE GOVERNANCE & MANAGEMENT OF FUND

The Trustees are responsible for the preparation, integrity, and fair presentation of the financial statements. The financial statements presented on pages 21 to 23 have been prepared in accordance with International Financial Reporting Standards (IFRS) by Ernst & Young. The Trustees consider that in preparing the annual financial statements they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates.

The Napotel Medical Aid Fund operates in a well-established control environment, which is well documented and regularly reviewed. This incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and the risks facing the business are being controlled.

The going concern basis has been adopted in preparing the annual financial statements. The Trustees have no reason to believe that the Fund will not be a going concern in the foreseeable future, based on forecasts and available cash resources. These annual financial statements support the viability of the fund.

## BOARD MEETINGS

***In terms of the Fund Rules, the Board of Trustees meets at least once every quarter.***

### LEGAL REQUIREMENTS

- Four quarterly meetings, , are required to review performance for the previous quarter in terms of the registered Fund Rules. The Board addresses other business requirements at the quarterly meetings, such as approving the Fund's audited Annual Financial Statements, review risks reports, monitor investment and ex-gratia applications.
- As required by the registered Rules an AGM is hosted in June every year for members to approve the audited financials for submission to the Regulator.
- To ensure that the process is done within the regulated timeframes a meeting hosted from June each year commences the benefit design and pricing process for the following year before finalization by the Trustees and submission to NAMFISA for approval to ensure that the process is done within the regulated timeframes. The Board addresses other business requirements at these Board of Trustee meetings.

## TRUSTEES AND PRINCIPAL OFFICER SUMMARISED ATTENDANCE REGISTER FOR 2019

The numbers reported for actual meetings attended is based on signed attendance registers and minutes of the meetings. The report also indicates the number of meetings that was held during the financial year of reporting ended on 31 December 2019.

### A: NUMBER OF MEETING PER YEAR B: MEETINGS ATTENDED

|                                   | Full Board |   | Finance Committee |   | Ex-Gratia Committee |   |
|-----------------------------------|------------|---|-------------------|---|---------------------|---|
|                                   | A          | B | A                 | B | A                   | B |
| Ms. D Nashandi-Endjambi           | 7          | 6 | -                 |   | -                   | - |
| Mr. E Molatudi                    | 7          | 6 | 4                 | 4 | -                   | - |
| Ms. S Gawaseb                     | 7          | 7 | -                 | - | -                   | - |
| Ms. A Mbuende                     | 7          | 7 | -                 | - | 6                   | 5 |
| Mr. H Witbooi                     | 7          | 7 | -                 | - | 6                   | 6 |
| Ms. A Mckay                       | 4          | 2 | -                 | - | 6                   | 4 |
| Ms. Sonja Bergh                   | 7          | 7 | -                 | - | 6                   | 6 |
| Mr. L Mungunda                    | 7          | 6 | -                 | - | 6                   | 6 |
| Ms. C Karokohe                    | 7          | 7 | 4                 | 2 | -                   | - |
| Ms. B Hilzebecher                 | 4          | 4 |                   |   | -                   | - |
| Mr. Jerome Mouton                 | 7          | 5 | 4                 | 3 | -                   | - |
| Mr. G Capelao                     | 7          | 5 | -                 | - | -                   | - |
| Ms. G Baisako (Principal Officer) | 7          | 7 |                   |   |                     |   |

### STANDING COMMITTEE STRUCTURES AND RESPONSIBILITIES

The Board of Trustees have established its own standing committee structures that comply with the applicable governance and regulatory requirements. These committees fulfill key roles in ensuring good corporate governance. The Committees listed below are mandated by the Board of Trustees by means of written terms of reference as to their mandate and duties.

#### FINANCE/INVEST COMMITTEE

The Finance Committee is mandated by the Board of Trustees by means of a "terms of reference". The Committee consists of four members, from both employer and employee representatives. The Chairperson is elected from amongst the trustees.

The Principal Officer, the Finance Manager of the Administrator, Actuary all serve as ad-hoc members on the committee. The Administrator fulfills the internal auditors' function of the Fund. Amongst others, the Committee carried out their responsibilities in terms of their terms of reference. They reviewed the external auditors and internal auditors' reports and any other matters arising from the financial, audit and investment activities of the Fund. The additional responsibility of the Committee is to assist the Board of Trustees in ensuring the efficient operation of the Fund by providing oversight, assessment and review of all aspects of the business and operations of the Fund.

## THE FINANCE COMMITTEE SUPPORTS THE BOARD OF TRUSTEES IN FULFILLING THEIR GOVERNANCE AND OVERSIGHT RESPONSIBILITIES FOR:

- Ensuring that the Fund's business environment is sound to protect the Fund from risk.
- Adequately addressing financial risks or exposures
- Financial reporting processes
- Overseeing the Fund's investment strategy and Investment managers.

### COMPOSITION AND MEETINGS IN 2019

The Committee meets once per quarter to review the Fund's investment activities, compliance to the relevant provisions of the Medical Funds Act and investment performance under close review. For the Benefit year ending 31 December 2019, the Committee comprised of four members and had four meetings.

### EX-GRATIA COMMITTEE

The committee comprised of five members and had six meetings in 2019:

- The primary responsibility of the Committee is to, assess, decide and report on the approval of ex-gratia payments of the Fund.
- The Committee is mandated to assess and approve ex-gratia payments below N\$ 50 000. Ex-gratia applications above N\$ 50 000 are referred to the Full Board Meeting.
- All ex-gratia applications are assessed in terms of an approved ex-gratia criteria.

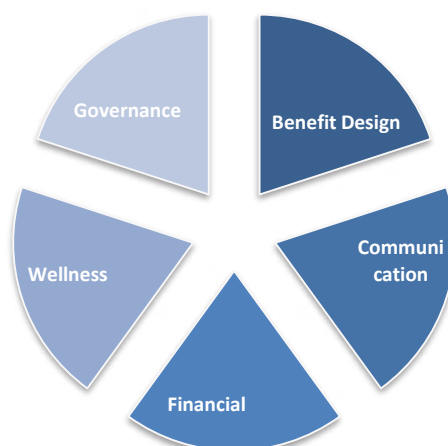
The committee is also responsible for the review of the ex-gratia criteria and any changes are recommended to the Full Board for approval

### GOVERNANCE PROCESSES

An independent Board of Trustees forms the core of the Fund's corporate governance structure and is ultimately accountable and responsible for the performance and affairs of the Fund. The Board responsibilities are defined within the Rules of the Fund. The governance parameters within which the Board exists, sets out the role of the Board and specific responsibilities and duties to be discharged by the Board collectively, as well as certain roles and responsibilities incumbent upon Trustees. As such, the Napotel Medical Aid Fund rules are aligned to the provisions of the Medical Funds Act no.23 of 1995 (the Act).

### STRATEGIC PLAN IMPLEMENTATION & MONITORING

The Board is responsible for providing strategic guidance to the Fund. The strategic plan gives effect to the Board's responsibility to govern the affairs of the Fund by directing the activities and providing an effective oversight through which performance can be monitored. The aim is to ensure that the business of the Fund operates efficiently and effectively. The Board has established five work streams responsible to implement, oversee, and monitor activities based on the key strategic objectives: The five work streams are as follows:



## MANAGEMENT OF FUND RISK

The Board of Trustees is responsible to govern the management of risk and a formal risk management process is in place in accordance with the Fund's approved Risk Management Policy. The Board monitors the implementation of the approved strategic and operational risk mitigation measures as well as the Fund changing risk environment during 2019, by means of quarterly and ad hoc reports from the Fund Administrators Management and Actuaries.

The Board is comfortable that the residual risks facing the Fund were managed throughout 2019 and risk assessments and mitigation measures aimed at safeguarding the Fund and member interests were indeed effective. Below are some of the risks listed in the risk register and risk response put in place:

| NO. | RISK                    | RISK RESPONSE   |
|-----|-------------------------|---|
| 1.  | Financial Risk          | Adequate internal controls are in place to continually monitor these key business areas with actuarial support in this regard.<br><br>Actuaries calculated the napotel specific risk based capital requirements.<br><br>Investment performance is monitored on a continuous basis |
| 2.  | Operational Risk        | Administrator report submitted at every BOT meeting<br><br>Claims turn around reports.<br><br>Audits, findings are reported to the Board of Trustees  |
| 3.  | Claims Risk             | Internal audits, practice reviews, report 80% and 100% member utilisation and quarterly reports to BoT.<br><br>Benefit utilisation review/actuarial review.<br><br>Clinical reviews.  |
| 4.  | Governance & Compliance | Regular meetings between the Board of Trustees , Principal Officer and Regulator .<br><br>Active participation on Industry forums   |
| 6.  | Fraud, Waste & Abuse    | Implement a FWA policy.<br><br>Internal audits.<br><br>Investigations   |

## BOARD COMMITMENT

Good corporate governance is regarded as critical to the success of the business of the Fund and the Board is unreservedly committed to applying the ethical values in all dealings underpinning good corporate governance.



## ANNUAL FINANCIAL STATEMENTS

The financial information presented in this Annual Performance Report for the year ended 31 December 2019 has been extracted from Napotel' signed statutory annual financial statements for the year ended 31 December 2019, which have been filed with the Registrar of Medical Aid Funds.

THE FOLLOWING PRIMARY FINANCIAL STATEMENTS HAVE BEEN PRESENTED:

- Statements of financial position as at 31 December 2019
- Statements of comprehensive income for the year ended 31 December 2019
- Statements of changes in members' funds and reserves for the year ended 31 December 2019

### STATEMENT OF FINANCIAL POSITION

| N\$ '000   | 2019              | 2018              |
|--|-------------------|-------------------|
| <b>Assets</b>  |                   |                   |
| Property and equipment                                     | 151,824           | 166,266           |
| Investment properties                                      |                   |                   |
| Available-for-sale investments                             |                   |                   |
| Financial assets held at fair value through profit or loss |                   |                   |
| <b>Non-current assets</b>                                  | <b>151,824</b>    | <b>166,266</b>    |
| Financial assets held at amortised cost                    | 7,430,663         | 6,885,018         |
| Financial assets held at fair value through profit         | 55,719,248        | 53,483,806        |
| Trade and other receivables                                | 4,566,594         | 4,279,441         |
| Cash and cash equivalents                                  | 8,596,919         | 13,008,893        |
| <b>Current assets</b>                                      | <b>76,313,424</b> | <b>77,657,158</b> |
| <b>Total assets</b>  | <b>76,818,248</b> | <b>77,823,424</b> |
| Accumulated funds  | 69,748,065        | 68,311,716        |
| Available-for-sale fair value reserve                      | -                 |                   |
| <b>Members' funds</b>                                      |                   |                   |
| Outstanding risk claim provision                           | 6,419,148         | 9,315,831         |
| Personal Member Savings Account trust liability            | -                 |                   |
| Trade and other payables                                   | 298,035           | 195,877           |
| <b>Current liabilities</b>                                 | <b>6,717,183</b>  | <b>9,511,708</b>  |
| <b>Total members' funds and liabilities</b>                | <b>76,465,248</b> | <b>77,823,424</b> |

## STATEMENT OF COMPREHENSIVE INCOME

| <b>N\$ '000</b>                                     | <b>2019</b>        | <b>2018</b>        |
|---|--------------------|--------------------|
| <b>Risk contribution income</b>                     | 102,883,509        | 98,414,892         |
| <b>Relevant healthcare expenditure</b>              |                    |                    |
| Net claims incurred                                 | (102,625,064)      | (95,381,325)       |
| <b>Gross healthcare result</b>                      | <b>258,445</b>     | <b>3,033,567</b>   |
| Non-Healthcare cost                                 | (5,031,534)        | (4,847,703)        |
| Accredited managed healthcare services              | (1,216,797)        | (1,154,709)        |
| <b>Net healthcare result</b>                        | <b>(5,989,886)</b> | <b>(2,968,845)</b> |
| <b>Other income</b>                                 |                    |                    |
| Investment income – Napotel Fund                    | 4,209,105          | 4,124,284          |
| Change in fair value of investment property         | 2,600,218          | (847,005)          |
| Employer refund of HIV/AIDS costs                   | 1,225,859          | 1,227,518          |
| MVA Refunds   | 22,441             |                    |
| <b>Other expenditure</b>                            |                    |                    |
| Asset management fees                               | (631 388)          | (399,610)          |
| Interest expense                                    |                    |                    |
| Operating expenses on rental of investment property |                    |                    |
| <b>(Deficit)/Surplus for the year</b>               | <b>1,436,349</b>   | <b>1,136,342</b>   |

## STATEMENT OF CHANGES IN MEMBERS' FUNDS AND RESERVES

|                                       | Accumulated Funds |
|---------------------------------------|-------------------|
| Balance as at 1 January 2018          | 67,175,374        |
| Total surplus for the year            | 1,136,342         |
| Balance as at 1 January 2019          | 68,311,716        |
| Total surplus for the year            | 1,436,349         |
| <b>Balance as at 31 December 2019</b> | <b>69,748,065</b> |

## INVESTMENT PORTFOLIO

| N\$ '000   | 2019       | 2018       |
|--|------------|------------|
| Preference Shares  |            |            |
| Listed equities  | 20,102,385 | 17,003,503 |
| Unit Trusts  |            |            |
| Bonds  | 9,257,404  | 9,324,290  |
| Money market instruments                                     |            |            |
| Unlisted equities  |            |            |
| Investment properties  | 1,030,151  | 1,645,706  |
| Unlisted insurance policy                                    |            |            |
| Cash and cash equivalents                                    | 25,329,308 | 25,510,307 |
| Other  |            |            |
|  | 55,719,248 | 53,483,806 |
| Investment returns   | 2019       | 2018       |
| Average return on investments as a percentage of investments | 6%         | 4%         |

## OTHER INFORMATION

### AUDITED FINANCIAL STATEMENTS

The audited Annual Financial Statements can be obtained from the Fund registered office or Fund website and by email @ Principal Officer: [baisakog@telecom.na](mailto:baisakog@telecom.na)  
Fund website: [www.napotelmedical.com](http://www.napotelmedical.com)  
You may also request a copy via the Fund email.

### HOW TO ACCESS THE NAPOTEL 2019 ANNUAL REPORT

The Napotel 2019 Annual Report, inclusive of the Funds' annual financial statements for the period ended 31 December 2019 is available on the Funds' Website at [www.napotelmedical.com.na](http://www.napotelmedical.com.na)



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