



A registered medical scheme
Registration no. 29/4/2/1068

Dear Member,

INCREASE IN CONTRIBUTIONS FOR 2009

After careful deliberation regarding the current financial position of the De Beers Benefit Society, actuarially modeled cost projections for 2009, and the Actuary's recommendations, the Trustees of the Society have agreed to increase contributions by 20% for 2009 (subject to approval by the Registrar of the Council for Medical Schemes).

The Trustees are acutely aware that this is a substantial increase, and comes at a time when our members are already hard hit by the increasing cost of living, high interest rates and the prospect of a period of prolonged instability in financial markets. Please be assured that these factors were taken into consideration in the final determination of the increase and that every attempt was made to minimise the added financial burden on our membership.

A number of factors combined to necessitate the increase, notably:

- A shortfall in contributions received vs. benefit claims paid to date for 2008
- Additional costs associated with benefit increases for 2009
- The growing cost of medical care and increasing inflationary pressure
- A decline in membership with an associated increase in the average age of members and the cost per member

Shortfall in contributions received vs. benefits paid in 2008

As you know, the basic function of the Society is to provide members with competitive medical aid benefits in exchange for regular contributions. In simple terms, the Society operates on a "pay-as-you-go" basis, which means that contributions received in a specific year should be sufficient to cover the cost of the benefits provided in that period.

Unfortunately, this is not the case at present. In fact, the benefits claimed to date in 2008 have exceeded the contributions received by approximately 5%, and the Society will continue to be compelled to use some of its investment income to cover the shortfall. This is unsustainable in the longer term, and the situation has been made even worse by the ongoing instability in financial markets and resultant poor investment performance, which has impacted negatively on the Society's investment income.

Increase in benefit limits for 2009

Benefit limits will be increased by 10% on average for 2009. The Society will e-mail (those members with a registered e-mail address) or mail a copy of the contribution and benefits guide for 2009 to members in December 2008. The guide will also be published on the Society's website at www.dbbs.co.za.

Inflationary pressure and the growing cost of medical care

The contribution increase also reflects the estimated rise in the cost of providing medical benefits for 2009 against the backdrop of generally high inflationary pressures and associated increases in the price of medication, hospitalisation and fees charged by medical service providers.

Membership profile and declining numbers

One of the most significant challenges faced by the Society is the change in the membership demographics (a matter raised by the Chairman at the Society's Annual General Meeting held earlier this year). The Society has experienced a gradual decline in membership over recent years, and as long as this trend continues, it will have a negative effect on the financial soundness of the Society. Moreover, the declining numbers have been accompanied by an increase in the average age and chronic status of members, which in turn has contributed to an increase in the expected claims per member going into the future.

The Trustees and Management strongly believe that the De Beers Benefit Society still offers an excellent benefit structure and good value for money compared to other medical schemes, and we would like to reconfirm our commitment to providing you with a competitive benefit structure at the lowest possible cost. As a valued member of the Society, you can continue to be assured of individual attention, excellent service and access to private health care for you and your dependants.

Yours sincerely,

Leon Coetzee

Principal Officer