

**YEARS
OF SHARING
SUCCESS**

PPS FINANCIAL RESULTS 2020

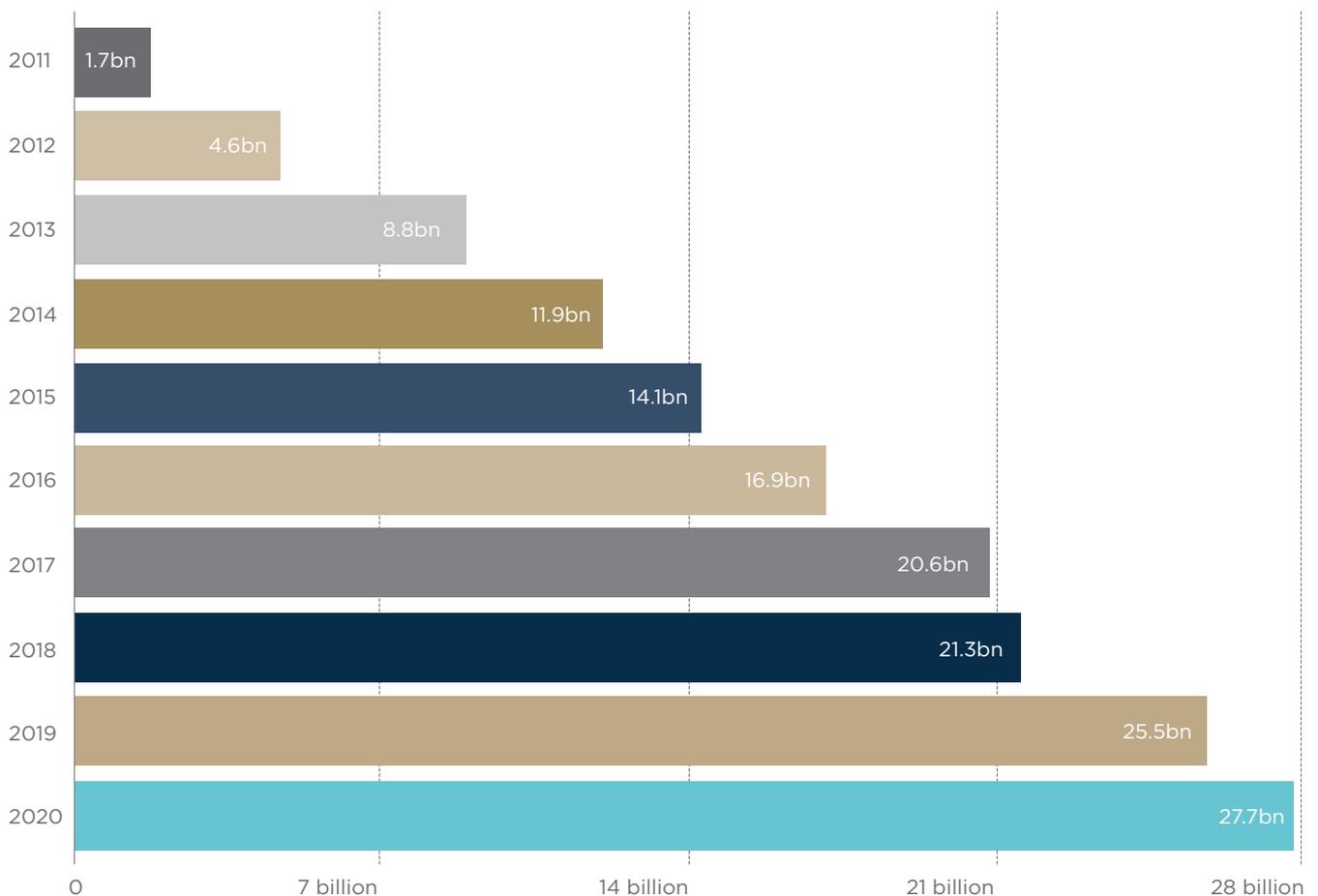
2020

THE PPS FINANCIAL RESULTS

HIGHLIGHTS

R27.7bn

TOTAL CUMULATIVE PROFIT-SHARE ALLOCATION TO MEMBERS OVER THE LAST 10 YEARS



The cross-holdings booster is tiered according to the number of products a member holds. If they hold PPS life risk products and they take a qualifying product(s) from one of our subsidiaries (PPS Short-Term Insurance, Profmed, PPS Investments) it will increase their allocations by a percentage.

The Booster allocations are not fixed and can differ each year. Allocations take place annually and will be declared with Profit-Share. The amounts are dependent on the profitability of PPS subsidiary products. PPS reserves the right to discontinue this offering at its own discretion.

Past performance is not necessarily indicative of future performance. PPS is a Licensed Insurer and Financial Services Provider.



TOTAL BENEFITS PAID

SICKNESS	R949.2 million
PERMANENT INCAPACITY	R626.2 million
LIFE COVER	R1122.2 million
CRITICAL ILLNESS	R261.6 million
LUMP-SUMP DISABILITY	R167.9 million
MOTOR & HOUSEHOLD	R117.8 million
EXIT PAYMENTS	R1 596.1 million

UP **29%** FROM 2019

R4.84bn

TOTAL BENEFITS PAID

PPS: SHARING SUCCESS DURING CHALLENGING TIMES

There are not many companies founded in 1941 that are confidently telling their members that they can protect their financial well-being, even during challenging times. PPS is the only diversified financial services company in South Africa focused exclusively on graduate professionals, that provides tailor-made insurance, investment and healthcare solutions.

Our ethos of mutuality is focused on creating more value for our members, and because we believe success is better shared, we are there to support graduate professionals to live the life they aspire to.

"A crisis has the ability to either expose the flaws in a model and a team, or to prove its robustness and to make a team stronger." - IZAK SMIT

MAKING INNOVATION WORK FOR PROFESSIONALS

We believe in rewarding our graduate professionals for their support. In 2020 we introduced the **PPS Profit-Share Cross-Holdings Booster** which is awarded over and above the existing Profit-Share allocation and is based on holding products across PPS subsidiaries and affiliates. The more qualifying products a member holds across PPS subsidiaries and affiliates, the more their Profit-Share allocation will be boosted. Many long-standing members have in fact been paid more in Profit-Share payouts – over and above product benefit payouts – than they have paid in premiums. They then gain access to the accumulated funds in their Profit-Share Accounts, subject to the policy rules, at retirement from the age of 60 onwards.

In response to the **COVID-19 pandemic**, we led the industry in terms of defining relevant claims criteria, which were applicable to members in both medical and non-medical professions. Various other relief measures were put into place to assist members experiencing financial difficulty as a result of the pandemic. Internet-based services for members were also expanded and enriched to assist them, as was the functionality of our PRO-FiT online engagement platform. PRO-FiT is a powerful member engagement platform that lets members take control of their portfolio at PPS, engage with the larger professional community, and explore ways to optimise their Profit-Share.

In the area of product development, we enhanced our **Critical Illness Cover for Professionals**. This was launched to the market in February 2021. The enhanced benefits include coverage for critical illness, such as pre-Stage 1 cancer, which is detected at an early stage. Amendments to the cover also include the reinstatement feature that increases potential pay-outs by up to 200% under the Cancer and Cardiovascular benefit categories, for any related condition provided the severity is higher or equal to 100% severity of the first claim, the enhancement of Child Critical Illness benefits and the expansion of a number of new disease categories. An important breakthrough is the Exact Rider benefit that now gives members access to targeted cancer therapy.

In the event that a PPS member suffers from cancer and receives a claim payout from the main Critical Illness Cover, the Exact Rider benefit will pay an additional lump sum if the cancer proves to be responsive to targeted therapy treatment (as indicated by specific laboratory tests).

We introduced a new **Short-Term Insurance app**, which is available from all major app stores. This makes it easy for members to add car and home insurance to their existing portfolios and to start earning additional Profit-Share. They can submit claims and manage their insurance policies using the app, and they have access to our PPS Concierge Services.

We also formed a partnership with service provider, **AdvantageLearn**. This online platform helps learners between Grades 8 and 12 to excel at high school and to be fully prepared for a successful university career. AdvantageLearn gives PPS members who have signed up for PPS PRO-FiT free access to online mathematics tutoring videos for their children or the children of their relatives. They can also benefit from additional tutoring in physical science and other subjects at a 25% discount. This was very valuable during the lockdown in 2020, when learners had to study remotely.

A black and white portrait of a middle-aged man with short, dark hair, wearing a suit and tie. He is looking slightly to the right of the camera with a neutral expression. The background is dark and out of focus.

MESSAGE FROM IZAK SMIT

It is my privilege to report to our members that we have weathered the extraordinary events of 2020 quite well. We could not have asked for a more challenging backdrop to prove that our mutual model provides us with a solid base to stay true to our purpose: supporting our members and providing financial security in times of great need.

A crisis has the ability to either expose the flaws in a model and a team, or to prove its robustness and to make a team stronger. I count myself fortunate to be part of a team and a model that can look back at 2020 with immense pride.

For many industries, businesses, families, and individuals, 2020 was the worst of times. Businesses collapsed, and lives and livelihoods were lost. And for some it was the opposite, the best of times, record profits, families reuniting, less time wasted. And for most of us it probably was both: very good and very bad simultaneously. What we certainly experienced was a crisis of unprecedented scale.

Despite many of our members experiencing significant financial strain, our lapses remained very low on the life side. We noticed a renewed appreciation of the value of life and sickness cover. New life insurance business, although down on 2019, as could be appreciated in the very strained and locked-down environment, still surprised us, especially in the latter part of the year. Paradoxically, Profmed – and as a result, our medical administration business – had a strong year: medical aid cover was highly appreciated, leading to low terminations. Some elective medical procedures were postponed, and the general hygiene consciousness in society and social distancing led to less sickness in general, which was beneficial to medical schemes. Fewer vehicles on the road helped our short-term insurance business to declare a profit for the first time, even after returning money to members in the form of a premium discount (this excludes PPS Health Professions Indemnity, which has been in existence for a short time). The strong markets towards the end of the year supported members' investments.

As to be expected from a business that provides life cover and income protection to professionals, our claim payments increased significantly. Our business was, by default, in the eye of the storm. But that is what PPS is all about, supporting members and paying valid claims as per the contractual agreements with our members. Given our mutual ethos, we went further than that, beyond what policy contracts stipulated. We looked for ways to assist our members, while being fair to the member base in total. It is testimony to the strength of our mutual model that, despite the unprecedented increase in claims, we were still able to declare an operational profit at the end of the year that will be distributed to members.

2020 AT A GLANCE

PPS LIFE INSURANCE

In 2020, annual premium income from new life insurance business in South Africa totalled R223 million, a drop of only 11% from the number achieved in 2019. During the initial 'hard lockdown' new business dropped significantly. However, once it became clear that the pandemic was going to be drawn out, there was a significant shift towards working remotely by advisers. Claims came in significantly more than budgeted, as expected in a pandemic year. Total claims of R3.245 billion were 41% more than in 2019. Between March and December 2020, we paid 4 201 COVID-19 sickness and death benefits claims to the value of R389.8 million. Despite this noticeable increase, PPS showed its resilience by still declaring a Profit-Share to members. PPS S³ (Specialist Support Services) added value to our business. This unit is made up of a team of professionals whose sole purpose is to offer their expertise to PPS members and to the financial advisers who serve PPS members.

PPS ADVISORY SERVICES AND ENABLEMENT

At the start of 2020, the business was on a positive performance trajectory. This, however, could not be sustained with the pandemic and the resulting impact on the economy. We had to make a rapid changeover to remote working by significantly increasing the use of technology and enhancing our digital capabilities. This resulted in new business being on par with that of 2019, and even showing marginal growth, from R48 million new annual premium income for life insurance business in 2019, to R50 million in 2020.

PPS HEALTHCARE ADMINISTRATORS

The pandemic fundamentally changed the way in which we work. Very soon after the first case was identified in South Africa, the industry regulator, the Council for Medical Schemes, added COVID-19 to the list of conditions qualifying for prescribed minimum benefits. This made it mandatory for schemes to cover the medical costs of members who had contracted the virus. Regardless of the pandemic, the schemes we administered did not see a markedly higher attrition rate than normal, and the uptake of new members was comparable to previous years. There were, however, challenges related to collecting contributions as some members lost their jobs and some professional members in private practice were unable to work due to lockdown restrictions.

PPS INVESTMENTS

Despite the challenges presented by events in 2020, PPS Investments had an exceptional year, delivering record new business figures of R7.5 billion, which beat last year's record by 22%. Profit-Share allocations distributed to PPS members invested in our investments products and in our portfolios of R19.5 million grew by 29% from the previous year.

PPS SHORT-TERM INSURANCE

The PPS Short-Term Insurance business had a successful year, performing better than expected on an overall basis. We experienced a net increase in lapsed policies, largely as a result of the financial strain that our members experienced during this time. The business did, however, benefit significantly from lower claims as members who were in self-quarantine or working from home used their vehicles less frequently than usual. This resulted in a loss ratio of only 51%, which is an improvement of 18% from the previous year. PPS Short-Term Insurance now also offers Profit-Share allocations to members with qualifying life products.

OUR CORPORATE SOCIAL RESPONSIBILITY

PPS FOUNDATION

The PPS Foundation uses the shared value of our community of professionals to solve key challenges that we face as a developing economy, particularly with regard to our large youth population. South Africa's education crisis requires all levels of society to collaborate and find solutions. Understanding how important it was to maintain the continuity of learning during 2020, we provided financial support to the Youth Start Foundation, which facilitates youth development programmes for high school learners from underserved communities. This was used to assist matric learners from these communities to catch up on missed lessons in mathematics and physics.

PPS COVID-19 SUPPORT

To contribute to the role that private businesses had to play in helping to slow down the spread of COVID-19 in South Africa, the PPS Board has set aside R50 million of 2019's profits to provide support. We allocated a significant portion of this for the procurement of PPE, as we had identified an urgent need in some academic and public hospitals, as well as in smaller private practices.

PPS ACADEMY

The Academy continues to be a learning institution that makes us immensely proud. In 2020, while working from home, we swiftly launched a 'lockdown curriculum' and encouraged staff and external partners to take up the online skills and development programmes available to them through the PPS Academy. Uptake of courses was high as people embraced new learning in the lockdown environment. We plan to make more of what the PPS Academy can offer available to members in future.

2020 HIGHLIGHTS

15 744

SICKNESS CLAIMS
PROCESSED

R2.2bn

TOTAL PROFITS ALLOCATED
**TO MEMBERS' PPS PROFIT-
SHARE ACCOUNTS

7 561

PROFIT-SHARE
MILLIONAIRES

↑ 11%

5 452

SHORT-TERM
INSURANCE CLAIMS
VALUED AT
R117.8 MILLION

R5.3bn

GROSS PREMIUM
REVENUE

↑ 7%

R41.2bn

* TOTAL GROUP
ASSETS

↑ 8%

* Excluding assets in unit trusts for third parties.

** Allocated to members with qualifying products. Past performance is not indicative of future performance.

**SUCCESS
IS BETTER, SHARED**

PPS is a Licensed Insurer and Financial Services Provider. Past performance is not necessarily indicative of future performance.
Profit-Share Account is a notional account and vests from age 60.