

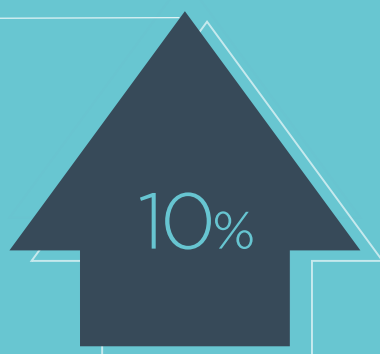


FOR PROFESSIONALS  
SINCE 1941

# IT ADDS UP

THE YEAR IN REVIEW  
2018

Total Benefits Paid  
**R3.2 billion**

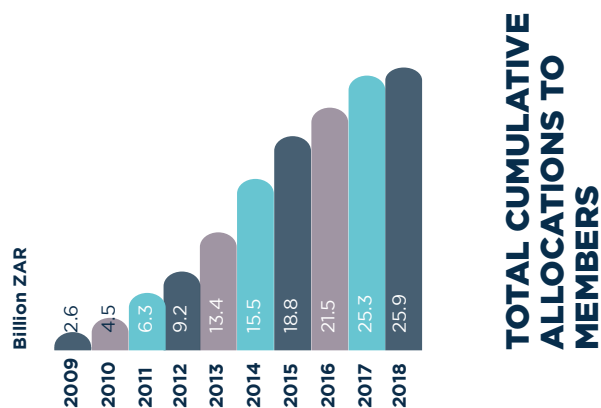


## PPS HIGHLIGHTS FOR 2018

EXIT PAYMENTS	R1.1 BILLION
SICKNESS	R541.7 MILLION
PERMANENT INCAPACITY	R466.8 MILLION
LIFE COVER	R511.9 MILLION
CRITICAL ILLNESS	R216.0 MILLION
LUMP SUM DISABILITY	R151.5 MILLION
MOTOR & HOUSEHOLD	R132.8 MILLION

Profit-Share allocation  
to members in 2018  
**R634.6**  
million

R25.9 billion  
cumulatively  
allocated  
over the last  
10 years



More  
than

**5400**  
members

have  
accumulated  
more than

**R1m**

in their  
**Profit-Share  
Accounts**

**PPS  
MILLIONAIRES**

**TOTAL  
ASSETS\***

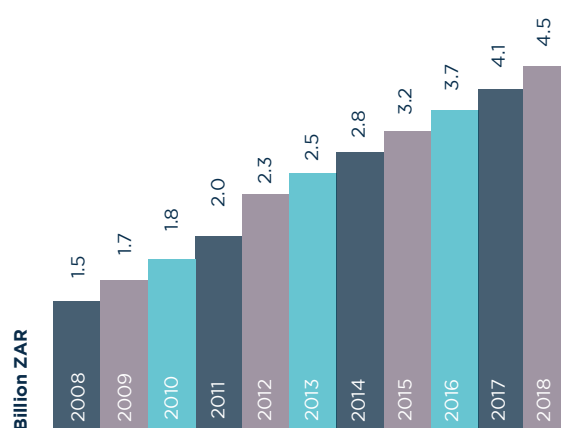
**R34.9**  
billion

\*Excluding unit trusts  
for third parties.

**GROSS PREMIUM  
REVENUE**

**R4.5**  
billion

Increased by 10%

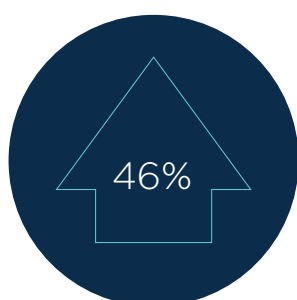


**BLACK  
MEMBERSHIP**



**27%**

**PPSI NEW  
INVESTMENT FLOWS**



**R5.9 billion**



**PPSI ASSETS UNDER  
ADMINISTRATION**

**R31.4 billion**

# CREATING LEGACIES FOR OUR MEMBERS



PPS was founded in 1941 as the only mutual financial services company in South Africa dedicated to graduate professionals. Our business is entirely about creating targeted insurance, investment and healthcare solutions for our community of professionals.

PPS stands apart from all other financial service providers by:

- Only accepting as members graduate professionals who meet our criteria
- A business model based on mutuality

As such, member interests inform all our decisions and actions. PPS has operated as a mutual since its founding more than 77 years ago – and will continue doing so.

## MAKING INNOVATION WORK FOR PROFESSIONALS

Professionals will inevitably be at the forefront of changes in their disciplines – with much based on incoming technology. PPS has positioned itself at the leading edge of change to remain in step with – and even to lead – our membership base in this fast-evolving reality.

PPS engages with world-leading innovators to share learnings and participate in digital forums appropriate to our member needs. In 2018 PPS sponsored the first ever Singularity University conference in Africa exclusively for professionals, which made available a staggering amount of forward thinking and intellectual property for our members. In 2018 we also linked up with Plug and Play, a San Francisco-based innovation platform that connects the world's largest corporations with innovators around the globe. PPS is actively engaging in Plug and Play programmes.

## TAKING A DIGITAL STEP UP

To be launched in 2019, the PPS PRO-FiT platform is a game-changer for members, enabling them to take an integrated approach to their financial wellness and lifestyle planning. Profit-share planning is a key feature, with members able to evaluate various scenarios on their current or potential product holdings. PRO-FiT also helps initiate professional growth by enabling our members to exchange expertise, referrals, consultations, internships and job offers, particularly with practitioners in similar fields.

## STRATEGISING FOR THE FUTURE OF PROFESSIONALS

For 2018, PPS continued rolling out strategy in terms of seven focus areas:

- Our exclusive member value proposition
- Digitalisation of our services for members
- Adviser value proposition
- Cross-market PPS products and services
- Position PPS as the undeniable financial service provider of choice for professionals
- Create alternative revenue streams to boost member profit share
- PPS community culture (and community includes our whole ecosystem, our staff and our members)





## OUR DIGITAL STRATEGY

For the past 77 years, the needs of graduate professionals have remained at the core of PPS Group's strategic intent. PPS products and services leverage our mutuality status to provide unrivalled long-term benefits for our members.

Today's professionals want more than smart financial products – they seek a deeper engagement with an inspiring and collaborative community.

In-depth strategic planning revealed that the future for professionals is digital and mobile, especially as newer generations become dominant. Younger professionals expect efficient online transacting as a matter of course, while older members and advisers will appreciate the added reach and convenience that PPS tools bring to established practices.

In brief, PPS is creating an appealing and productive PPS online community featuring multiple means of communication with and between our members, PPS representatives and advisers. This omnichannel environment will enable more efficient claims and other processes, while also encouraging members to network and collaborate for mutual benefit.

At the same time, we are creating value through revenue streams adjacent to our traditional offerings, to accelerate member profit share and mitigate against equity market and foreign exchange.

## OUR STRATEGIC VISION 2022

Our exclusive PPS brand will be aspirational – an undisputed brand leader in the market.

## WHY IS PPS UNIQUE?

### MUTUALITY

Unlike most financial services providers in South Africa, PPS is not listed on the stock exchange and has no external shareholders. PPS decided 77 years ago to adopt the ethos of mutuality, with all profits and investment returns generated by the PPS Group allocated to PPS members with qualifying products. Each year their profit shares (based on the number and mix of PPS products) are paid into their PPS Profit-Share Accounts.

At a point, longer-term members often find that their profit share returns outweigh their premiums.

Mutuality is central to our success. Profits and investment returns are reinvested in accordance with our long-term investment strategy. These funds accumulate in member PPS Profit-Share Accounts (irrespective of their claims), and vest free of tax at retirement, resignation from PPS or death. This benefit has no rival in South Africa.

### LONG-TERM MINDSET

PPS prioritises creating and sustaining long-term growth and wealth for our members. As a mutual company, the interests of our policyholders are aligned – unlike other insurance companies in South Africa.

The mutual structure allows the Board and management to adopt a truly long-term approach to running the business by deploying sustainable long-term strategies that make the most efficient use of capital to benefit all generations of professionals in our community.

### MEMBER RETURNS

PPS has shared a total of R25.9 billion in profits and investment returns with its members over the last 10 years. Many retiring members, through their Profit Share Accounts, received back the value of the premiums paid or more. ALL the premiums that they paid to PPS over the lifetime of their membership – irrespective of whether they had ever claimed or not. This is a truly unique statistic in the South African insurance sector.



## MESSAGE FROM IZAK SMIT PPS GROUP CEO

Once again, I report back on a challenging year, although these days, tough trading is seen by many as 'business as usual' and matching up to the previous year's results is a 'the new normal' achievement.

On the operating profit side, PPS managed to outperform this new normal.

Difficult conditions not only reflect our South African realities of political and economic volatility, but also the societal and technological changes sweeping across the globe. A 2019 Edelman Trust Barometer survey reveals that only one out of five people believe 'the system' still works for them, with nearly half the global sample stating that the current system has actively failed them.

Our niche market includes South Africa and Namibia's most educated, influential and proven individuals. They have the resources and knowledge to create the significant changes required to remain at the forefront of their communities. They are also the niche that has the ability to adapt to the changes and cope with the societal and technological realities.

PPS is working hard to create tools and opportunities for our member professionals to embrace, lead and profit from change. That – and how we performed in 2018 – is primarily what this report is about.

PROFIT-SHARE ACCOUNTS PAID OUT ON DEATH  
R87.6 MILLION

PROFIT-SHARE ACCOUNTS PAID OUT ON RETIREMENT  
R733.9 MILLION

## PERFORMANCE SNAPSHOTS FOR 2018

In terms of the figures, PPS delivered a mostly satisfactory financial performance, with some highlights and a few disappointments. In summary, the Group delivered as follows:

### PPS INSURANCE

Our main life insurance business again recorded a healthy profit for our members in 2018, and even managed to grow this profit from 2017. This profit was supported by a claims experience that remained within budgeted assumptions, and good expense control. Our first and foremost purpose is to be there for our members in times of need and to protect them. It is always pleasing when we are able to set aside a worthwhile distribution for members after honouring valid claims.

### PPS INVESTMENTS (PPSI)

PPSI performed well due to new business signings and tight control over expenditure. At year-end PPSI had signed 46% higher business than the previous year, which was 10% above an optimistic target. Revised distribution strategies have transformed PPSI's new business drive into an operation that now also has a wholesale focus. During 2018 PPSI introduced the first of our new range of PPS Partnership Funds.

### PPS SHORT-TERM INSURANCE (STI)

Our 2018 results came in below budget due to the unfavourable economy muting new business. We also experienced a tougher claims environment, but continue to see evidence that the professional market segment is a benign risk pool. STI has in recent months successfully developed a mobile app and migrated its claims administration to a new service provider, strengthening a highly competitive value proposition. During 2018, STI became a wholly owned subsidiary in the PPS Group. Very exciting for our members in the medical professions is the rollout of new professional indemnity solutions, a big need in this space.

### PPS HEALTHCARE ADMINISTRATORS (PPSHA)

PPS Healthcare Administrators recorded satisfactory results, although growth in membership numbers did not reach target. Nevertheless, PPSHA met its budget targets and paid out healthy dividends, which was distributed to our members.

TOTAL RISK CLAIMS PAID IN 2018  
R2.0 BILLION  
109 CLAIMS PAID PER DAY

### PPS ADVISORY AND ENABLEMENT SERVICES

In response to market and regulatory shifts, PPS merged its former Life and Investment Advisory businesses into a consolidated financial advisory for members to access the entire suite of PPS products and financial planning services.

Our Lifestyle Financial Planning team was repositioned as Specialist Support Services (S<sup>3</sup>) to support our advisers in complex financial planning and coach members on how best to utilise PPS options. The S<sup>3</sup> team remains impartial, as it does not implement products or receive related commissions. Implementation happens through our members' trusted advisers.

### PPS LIFE BROKER SERVICES (LBS)

Our LBS team delivered an exceptional performance, reaching its 2018 targets despite the stalled economy and loss of a traditional business pipeline due to the advent of the new Retail Distribution Review (RDR) regulatory environment.

## MAKING INNOVATION WORK FOR PROFESSIONALS

### LOOKING AT 2019 AND BEYOND

PPS has no control over socio-economic shifts. In recent years events have proven especially unpredictable. Suffice to say that PPS does have planning in place for various potential scenarios.

What is clearly evident is that the commercial world is digitally transforming quickly and graduate professionals will be pioneers of that transformation. PPS is accordingly reinventing its own IT processes to meet the challenges of a quicker, online reality.

Although we continue to evaluate tempting opportunities in other countries, our focus at this time remains on our operations in Namibia. Our PPS subsidiary in Namibia is performing to expectations and the Namibian operation recently launched the full suite of PPS risk products in that country.

We have also recently rolled out credit card and payment solutions for our members. These solutions will put more money back into their pockets and into their Profit-Share Accounts\*. We are very excited by these developments. The interest and uptake of these new offerings are very encouraging.

\*Points are redeemed to Profit-Share Account.  
The allocations also only take place in 2020.

NEW MEMBERS 2018

6 931



#### LIFE COVER

R511.8 MILLION

#### TOP 3 CAUSES:

NEUROLOGICAL  
INJURY  
CANCER

#### SICKNESS BENEFITS

SICK PAY CLAIMS  
R541.7 MILLION

#### CONDITIONS MOST CLAIMED FOR:

DISEASES OF THE MUSCULOSKELETAL  
SYSTEM AND CONNECTIVE TISSUE  
INJURY  
CANCER

#### PERMANENT INCAPACITY BENEFITS

TOTAL PAID  
R466.8 MILLION

#### CONDITIONS MOST CLAIMED FOR:

DISEASES OF THE MUSCULOSKELETAL  
SYSTEM AND CONNECTIVE TISSUE  
PSYCHOLOGICAL ILLNESS

#### CRITICAL ILLNESS BENEFITS

TOTAL PAID  
R216.0 MILLION

#### CONDITIONS MOST CLAIMED FOR:

CANCER  
CARDIOVASCULAR DISEASES  
DISEASES OF THE  
CIRCULATORY SYSTEM

#### LUMP SUM DISABILITY BENEFITS

TOTAL PAID  
R151.5 MILLION

#### CONDITIONS MOST CLAIMED FOR:

CANCER  
DISEASES OF THE MUSCULOSKELETAL  
SYSTEM AND CONNECTIVE TISSUE  
PSYCHOLOGICAL ILLNESS

#### TOTAL CANCER CLAIMS PAID FOR ALL PRODUCTS

R266.2 MILLION

## OUR CORPORATE SOCIAL RESPONSIBILITY

### PPS FOUNDATION

The PPS Foundation gained its Public Benefit Organisation (PBO) status in 2018. This enabled us to develop and launch a donation platform, allowing PPS employees, members and the general public to donate to the Foundation. In this year the Foundation funded 61 students and supported 20 interns through our graduate internship programme. We are gratified that over 12 500 registered professionals used our Professionals Connect online platform offering search-for-job, mentorship and career guidance opportunities.

### PPS ACADEMY

In 2018 the Academy underwent a turnaround strategy that delivered outstanding results, recording doubled training hours over the previous year and demand for training that exceeded the Academy's present capacity. The Academy was recognised as one of the Top 125 training organisations in the world, which is a well-deserved honour.



