

A woman with long dark hair, wearing a light-colored jacket and a white knit hat, carries a young child on her back. The child is wearing a pink jacket and a white knit hat. They are standing in a field of tall green grass or corn, looking towards a bright sunset. The sky is filled with soft, white clouds. A faint rainbow is visible in the lower right corner of the image.

Mutuality for the
greater good
of our members,
financial advisers
and communities.

PPS 2023 FINANCIAL RESULTS HIGHLIGHTS



2023 Highlights

R4.54 billion

Total profits allocated* to members' PPS Profit-Share Accounts™

UP 26% from 2022

R84 billion

Total assets at PPS Investments

DOWN 32% from 2022

14 077 claims

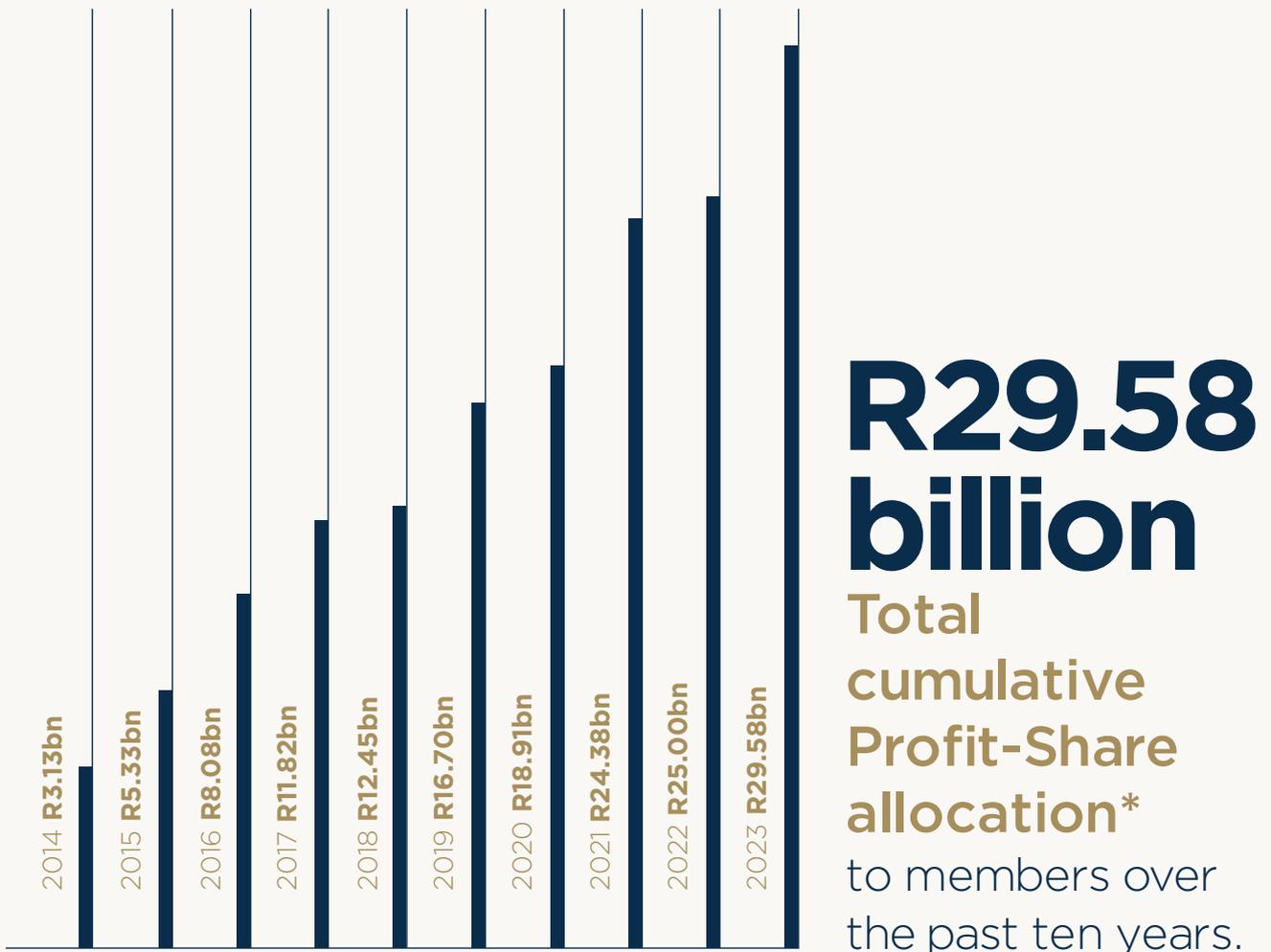
Sickness claims processed

UP 9.4% from 2022

R6.57 billion

Gross premium revenue (Group)

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



The graph illustrates the growth of total cumulative Profit-Share allocations to members over the past ten years, with 2014 serving as the baseline. Numbers are for PPS's operations in South Africa and Namibia.

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

Total benefits paid



R949.5 million
Sickness benefits paid



R1.38 billion
Life cover benefits paid



R102.6 million
Lump-sum disability
benefits paid



R2.12 billion
Exit payments



R849.1 million
Permanent incapacity
benefits paid



R556.4 million
Critical illness
benefits paid



R165.1 million
Motor and household
benefits paid



Message from Izak Smit

It is my privilege to present the PPS Performance highlights for 2023, celebrating another year of successfully providing our members with customised financial services solutions and returning value to them in many different ways. The strength and resilience of our mutual model continues to prove itself, and as we face new challenges and opportunities, we are building on them to provide even more significant benefits for our members.

Guided by the ethos of mutuality embraced by our founders more than 80 years ago, all premiums paid into our businesses, after the expenses of managing those businesses, are ultimately returned to our members – with investment growth – either through claims, added value or – for members who hold a qualifying life-risk product – through allocations to their notional PPS Profit-Share Account™. Members who hold additional qualifying products across our portfolio benefit even further through the PPS Profit-Share Cross-Holdings Booster. The PPS Investments Family Network provides for the aggregation of individual and family assets, enabling members to enjoy lower fees as the result of a larger, combined asset base. In short, all decisions our Board and executives take are made entirely for the benefit of our members. I can assure you, we as management find much purpose in serving in such a model!

From a life insurance claims perspective (the most critical factor influencing operational profits), life, sickness and disability claims have, since the COVID-19 pandemic abated, returned to average levels that are now only slightly above our long-term actuarial expectations. There is still a small pandemic-related impact, and given the tough economic backdrop, the propensity to claim on the sickness side has also increased. However, it is pleasing that operating profit has now recovered to more than a billion rand – the pre-COVID-19 level.

From an investment perspective, markets across the globe remained volatile throughout the year, reacting to geopolitical events. In South Africa, we have our unique challenges and risks. Economic growth remains very low, and political risks high. The unstable power supply exacerbates the situation, impacting investor and business confidence. However, after a flat investment performance in 2022, very much expected after a fantastic 2021, we saw much better returns in 2023. Financial markets were especially strong in the first and last quarters of 2023. Given our huge balance sheet, investment returns are a significant component of the overall profit we can allocate to our members' PPS Profit-Share Accounts™. Our (non-Life) subsidiaries are also starting to make a meaningful contribution. Our members should be pleased by the returns we generated in 2023*. The overall profit that we can allocate to our members' PPS Profit-Share Accounts™ is one of the strongest ever.

Our members will know from past reports that, after such a strong year in the investment markets, I am always quick to add that the long-term average returns matter and not a single year's performance. It has become a cliché, but it remains as true as ever: It is about time in the markets and not timing the markets. At PPS, we have an advantage due to the long-term nature of our members' Profit-Share assets – they often remain on our books for a generation or more. This enables us to take a long-term investment approach, giving us a unique competitive advantage. Like a good personal financial adviser, I must again caution against exuberant future expectations.

That said, the value returned to our members in 2023 remains exceptional. This was delivered through our integrated advisory services, our comprehensive products and services range, the timeous payment of claims, meaningful support in times of need, an expanding range of added values and, for qualifying members, of course, allocations to their notional PPS Profit-Share Account™.

From a membership perspective, members with PPS life products in South Africa and Namibia increased from 131 073 at the end of 2022 to 132 934 at the end of 2023. Members with a product across the Group increased from 152 177 at the end of 2022 to 155 554 at the end of 2023.

From a business development perspective, it is fair to say that 2023 was as difficult as the previous three periods, with our advisers having to work hard to recruit new members and provide cross-solutioning to existing members. After very good new business numbers in 2022 – bucking industry trends at the time – new life business slipped somewhat in 2023. It was influenced to some extent by a channel restructuring, which we believe is very necessary for future growth and cross-solutioning. This has been completed and we look forward to good new business growth in 2024.



* Past performance is not necessarily indicative of future performance.

Performance snapshots

PPS Life Solutions

PPS Life Solutions oversees our foundational array of offerings, providing long-term life, accidental death, sickness, critical illness and disability insurance for graduate professionals.

Our primary focus is assisting our members in times of need by paying valid claims; profit is a secondary objective. It is, however, uplifting to see profitability returning in the life insurance business. The total operating profit allocated to members' PPS Profit-Share Accounts™ was R1.2 billion. Management expenses remain the only cost from the value that is eventually returned to members, either as a claim payment or as Profit-Share allocation.

Total gross life claims for South Africa came in at R3.71 billion for 2023, from R3.25 billion in 2022. It was still higher than our longer-term actuarial expectation, but this difference has reduced significantly from the COVID-19 years.

Although rising slightly, net attrition rates remained industry-leading by global standards and below expectations. Profit-Share undoubtedly contributes to the low lapses, as does quality member service. Attrition is further alleviated by the unique PPS proposition of covering our members worldwide at no extra premium loadings (as many professionals spend significant periods overseas). We also allow our members to retain their PPS policies upon emigration; the only requirement is to maintain premium payments through a South African bank account.

Given the new business and lapse experience, gross life premium revenue in South Africa reached R6.0 billion in 2023, up 8.7% on 2022.

A disappointment in 2023 was a decline in new life business compared to 2022. It should be noted that 2022 was a stellar year for new business.

Performance was also affected by the constrained operating environment. The annual premium income of new life insurance business written in South Africa and Namibia in 2023 was R262.9 million, down 12% on the R297.3 million written in the previous period. Due to the nature of the products we offer and the market segment we serve, distribution is exclusively through internal and external (independent) advisers (i.e., face-to-face). Around 74% of new business in South Africa in 2023 was written by independent advisers, who remain essential and valued business partners. The other 26% of new business was written by our own team of PPS advisers.

PPS Investments

PPS Investments is an established asset management business that invests in a diversified range of funds – both locally and offshore – to achieve superior long-term returns for the Group and provides savings, investment and retirement solutions for PPS members. The business more than doubled both assets under management and the number of investors it serves in the previous five-year business cycle, spanning from 2017 to 2022. It aims to do so again over the next five-year cycle that started in 2023.

In 2023, one of its primary objectives was the final transition of PPS Profit-Share assets from external fund managers to PPS Multi-Managers, who are now managing all PPS assets. A further objective was to sustain new business levels during the change in the distribution model and in the face of challenging economic conditions in South Africa.

At the leadership level, the CEO of 16 years, Nick Battersby, was appointed to the newly created Deputy Group CEO post and replaced by Shaun Ruiters. Shaun has previous experience at PPS. This change in leadership was seamlessly handled, a fact evident from the business's results.

Assets under management increased to R84 billion by the end of 2023 from R66.67 billion a year earlier. Gross inflows stayed steady at R7.6 billion, while profit before interest and tax increased to R153 million from R121 million in 2022, surpassing anticipated profit levels.

PPS Short-Term Insurance

PPS Short-Term Insurance provides intelligent short-term insurance solutions for our members, including car, home and business insurance. In 2023, its primary objectives were to achieve the gross revenue target for the year in pursuit of its business plan to achieve scale, maintain a loss ratio and lapse rate within predetermined parameters and position itself effectively for growth into new market segments.

As in the previous period, the business experienced high levels of climate-related claims during 2023 and high levels of claims related to damage caused by loadshedding. Yet, we are proud that the claims ratio remained below expectations. As I have mentioned in previous reports, we remain convinced that the professional segment is a benign one from a short-term insurance risk perspective due to the ethos of risk management common in many professions. This ultimately benefits our members through Profit-Share.

PPS Health Professions Indemnity

PPS Health Professions Indemnity is a dedicated business operating on our short-term insurance licence offering indemnity insurance for healthcare professionals registered with the Health Professions Council of South Africa and working in clinical practice.

Launched five years ago, the business is now profitable. It recorded an exceptional increase of 15% in the number of new non-Pharmaceutical Society of South Africa (PSSA) policies written during the reporting period and, partly due to the nature of the cover it offers, recorded an exceptionally low lapse rate. Service is a key differentiator and not only contributes to the low lapse rate but also continues to drive the ongoing growth in the number of insured professionals choosing PPS Health Professions Indemnity as their indemnifier of choice. It continued to generate a profit before interest and tax. It extended its offering to Namibia members, which was well received. It has built a solid book with a good risk mix. By the end of the year, 12 609 (including PSSA members) medical professionals enjoyed the cover provided by this business.

PPS Healthcare Administrators

PPS Healthcare Administrators again delivered a solid performance in 2023. Profit before interest, tax and lease modification were ahead of forecast, and fees continued to track within the industry average.

A major achievement during 2023 was to roll out administration services to the Botswana Public Officers Medical Aid Scheme (BPOMAS), effective from 1 July 2023. This is the first client of PPS Healthcare Administrators outside of South Africa.

As in the previous year, the challenge of retaining members remained significant across all the schemes the business administers, with Profmed, in particular, being affected by emigration, graduate unemployment and the movement of professionals from private practice into permanent employment.

During the year, the business entered into a new service-level agreement with Profmed, enabling the scheme to provide even greater value for graduate professionals. For example, it now guarantees to resolve member queries within three hours.

Uniquely, PPS members with qualifying life-risk products who are also Profmed members benefit from industry-leading administration services at cost, as most of the profit generated from these services is returned to them through their PPS Profit-Share Account™.

The business retained the Level 2 B-BBEE accreditation it achieved last year.

PPS Namibia

PPS Namibia delivered a satisfying performance in 2023. Despite operating in a low-growth economy, the business outperformed most competitors. PPS Namibia recorded an operating profit of N\$49.3 million. The total net (of reinsurance) claims increased from N\$73.6 million to N\$83.3 million. Gross insurance premium revenue increased year on year by 9% from N\$213.3 million to N\$233.3 million. Expenses were well-managed.

Our members in Namibia also benefitted from the good investment market returns in 2023. Investment returns distributed to members' PPS Profit-Share Accounts™ have increased from N\$4.7 million in 2022 to N\$176.9 million in 2023. We continue to adhere to the same multi-manager strategy in Namibia that our members benefit from in South Africa.

Our strategy in Namibia continues to be the introduction of new products, services and solutions into the market shortly after they have been launched in South Africa. Namibian members can, therefore, look forward to many new innovations in 2024.

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All decisions taken by our Board and executives are made entirely for the benefit of our members.”

Izak Smit

Chief Executive Officer

PPS Mutual (Australia)

PPS Mutual, an affiliate company established in Australia eight years ago, operates very successfully. Not only does it provide the benefits of PPS's mutual model to its members in Australia, but it also contributes to the Profit-Share allocations of South African members through the payment of fees and royalties. Operationally, it falls under the auspices of the newly formed New Markets and Territories division at PPS, tasked with spearheading PPS's expansion into previously untapped markets in South Africa and into new geographies.

Over the past year, the business demonstrated remarkable resilience under difficult trading conditions and achieved a number of commendable milestones. It now has more than 11 000 members and has attained a highly favourable annual in-force premium of more than A\$70 million.

It also earned the title of Best Retail Life Insurer from Adviser Ratings, an independent market comparator, securing a place in the top three in all categories.

New markets and territories

Based on the success of PPS Mutual, PPS is currently preparing to enter the New Zealand market and is on track to open an office in the country in 2024. In South Africa, we are exploring the possibility of extending into previously untapped market segments as part of our growth strategy.

Our corporate social responsibility

PPS Foundation

The PPS Foundation supports South Africa's youth through various initiatives. These include a Bursary Programme that awarded 69 bursaries in total, with 45 funded by the Foundation, 19 by PPS Healthcare Administrators and five by PPS Investments. Additionally, the University Support Programme assists institutions like the University of Fort Hare and the University of Western Cape. The Foundation also offers a LEAP Work Readiness Programme, rolled out to more than 700 students in 2023, and a Graduate Internship Development Programme, providing opportunities for young graduates. Furthermore, the Professionals Connect platform was enhanced during the year to include improved mentor-mentee matching and real-time statistics. Lastly, the Foundation mobilises employees and members to participate in volunteer programmes.

Strategy and opportunities

We remain committed to the seven strategic themes outlined in previous reports, but we have added an eighth: Sustainability. As a responsible corporate citizen, we recognise the role we have to play in contributing to the greater social good. We aim to support several of the United Nations Sustainable Development Goals. Few businesses, if any, can today ignore sustainability as a theme in their strategy. Integrated reports across companies and industries devote more space every year to this important topic. But, and this is important, as an organisation where mutuality stands central and as a business of which one of our three core values is always

striving to do the right thing, PPS is able and willing to go much further. It is tough at times for businesses driven by shareholder returns to make the right decisions. At PPS we do not have that stakeholder. Our purpose is only focused on our members, assisting them to hedge against life's catastrophes and adding value to their lives, assisting them to live the lives they want to live in a world worth living in. This purpose gels with the sustainability theme. In the great tension between the market's demand for endless growth and the planet's need for a break, companies such as PPS where mutuality is a core focus, can play a unique role. This is particularly true when such a company focuses on serving the professional segment. Because ultimately, it is professionals who – through their training and experience – will drive the solutions. The younger generations expect environmental responsibility from the brands that they support, hence sustainability will and should become essential to our strategy development.

In 2023 we have also identified the need for a few changes to our organisational structure. This structure is more appropriate for delivering on our objectives, especially our aim of expanding into new markets and territories. There were changes across the structure, but the two most important ones were in the Distribution function and creating a Mutuality division overseeing the total member experience.

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PPS has a unique value proposition to offer its members and our function as custodians of that proposition is to consistently secure and deepen its value.”

Izak Smit

Chief Executive Officer

Success is better, shared.



PPS is a licensed insurer and authorised FSP. Past performance is not necessarily indicative of future performance.
The PPS Profit-Share Account™ is a notional account and vests at age 60.