

PPS Group Life Assurance Scheme (LA)

PPS Professional Health Preserver

PPS Beneficiaries Trust

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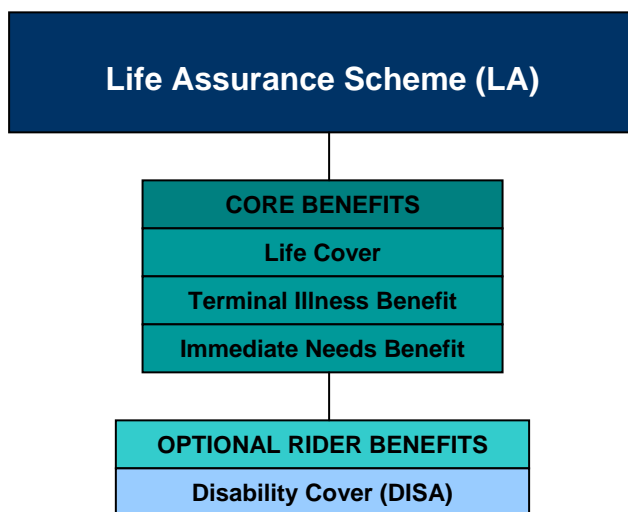
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LIFE ASSURANCE AND LUMP SUM DISABILITY (DISA)

Life Assurance

The Life Assurance policy offers term Life Assurance with no cash value build up. Under the Long Term Insurance Act the Life Assurance Policy can be used for collateral. A policyholder will only be able to cede the policy in terms of a cession as securitatem debiti (for security purposes).

The structure of the policy is as follows:



The life cover pays a lump sum in the event of death. The Terminal Illness and Immediate Needs Benefits are automatically included at no additional premium. In addition, disability cover (DISA) is available as an optional rider benefit.

Please note:

- The PPS Life and Disability Assurance Scheme (Scheme), underwritten by Sanlam, is closed to new business in South Africa, but in Namibia policies (LA & DISA) continue to be sold under the Scheme.
- All the existing LA & DISA policies, issued under the Scheme and underwritten by Sanlam, remain in force.
- All existing LA & DISA policyholders are able to apply to increase their cover.

Minimum/Maximum amounts available

The minimum Life Assurance available is R 25 000 and the maximum is an assured amount of R 14 079 906. The Life Assurance is linked to the Ordinary benefit option and the number of units of Ordinary benefit held determines the Life Assurance amount that may be applied for.

The Life Assurance formula is:

Number of Ordinary units of benefit X R 4 000 (subject to the maximum of R 14 079 906)

Should a policyholder at any time reduce the number of units of Ordinary benefit, he/she may retain the Life Assurance cover is no longer required to reduce this in line with the Unit of Benefits held. If SPPI is removed it is therefore possible to now have just the Life Assurance cover.

Life Assurance Policy

- Life Assurance is only available to Ordinary policyholders holding units of Ordinary benefit.
- A person, who is not currently an existing policyholder of PPS Insurance, has to be under the age of 51 to apply for Life Assurance. (The applicable units of Ordinary benefit should also be applied for.)
- Existing members of PPS Insurance, holding units of Ordinary benefit, can obtain NEW or ADDITIONAL Life Assurance till the age of 56 (anb).
- The Life Assurance premium will be calculated based on the member's age at 31 of December of the previous year.

Example:

- If the member turns 35 on the 29 of January and he apply for Life Assurance on the 4 of January with the 1 of January as the entry date, the rate will be based on age 34.
- If the above member turned 35 on the 30 of December, the rate will be based on age 35.
- The premium will increase every year, as the member grows older.

Change is Occupation

In the event that the policyholder changes his occupation, to one which no longer meets the PPS eligibility criteria, he will now be able to retain his life cover but his disability cover will fall away. It will however not be possible to increase the life cover sum assured.

Death benefits

- The death benefits will be paid to dependants or nominated beneficiaries.

- A member may nominate a beneficiary to whom the cover will be payable on his death. The Board of PPS Insurance is not empowered to intervene in the nomination of dependants and or beneficiaries for members.
- Payment of the life cover and Immediate Needs Benefit sum assured shall **not** be made if the death of the member concerned is the result of:
 - suicide committed within 24 months after either the date of commencement of cover or date of reinstatement of cover or date of increase in cover for the increased cover (other than through declared annual increases); **or**
 - the execution of the death sentence on account of an offence committed before or within 24 months after commencement or reinstatement of cover or date of increase in cover for the increased cover (other than through declared annual increases).

Terminal Illness Benefit

A *Terminal Illness Benefit* will be automatically included with the life cover benefit as an accelerated benefit at no additional premium.

In the event that the policyholder is diagnosed with a terminal illness (as specified by PPS Insurance) and is expected to die within the next 12 months, the policyholder has the option of claiming the *Terminal Illness Benefit*. In terms of this option, half of the life cover benefit is paid on approval, of the terminal illness claim, by PPS. The *Terminal Illness Benefit* will reduce the remaining life cover and the premium will also be reduced accordingly.

The remainder of the life cover benefit will be paid on death of the insured.

Immediate Needs Benefit

An Immediate Needs Benefit will be automatically included in the life cover as a lump sum payment of up to R 50 000 to beneficiaries within two working days of the submission of a death certificate to PPS Insurance, at no additional premium.

The Immediate Needs Benefit will help alleviate the financial strain experienced by beneficiaries in the event of the death of the life insured, and this benefit can be used to contribute towards the costs of a funeral and other financial obligations arising as a result of the death of the life insured.

The Immediate Needs Benefit, of up to R 50 000, will be paid within two working days of a valid death certificate being produced to PPS and will be an acceleration against the life cover sum assured, as at the time of death of the life insured. PPS will then go through the usual validation process before the remainder of the

life cover amount is paid to the nominated beneficiaries (i.e. the amount payable, after validation of the death claim, will be the life cover sum assured, as at the time of death of the life insured, less the R 50 000 Immediate Needs Benefit already paid).

Conversion options

Available to PPS members:

- before attaining the age of 60
- who have been part of the Life Assurance Policy, for a continuous period of 12 months and
- may within 3 months of the termination date, take out permanent assurance, an endowment or whole life policy, with Sanlam without submitting proof of health or supplying a HIV test.
- may within 3 months of the termination date, take out a whole life PPS Provider Policy, However a new PPS Provider application form must be complete and underwriting may be applicable.

Members, once they have obtained the age of 55 also have a conversion option, **without** termination of their sickness and incapacity. This option will expire at the age of 60.

It is important to note that the rates that will be applicable to the new Sanlam policy are calculated by Sanlam at the age of the member on joining and will therefore in all probability be quite a bit more than the premium he was paying on his PPS Life Assurance.

The member has to notify PPS Insurance in writing at the age of 65 whether he/she would like to continue the cover or not.

The Life Assurance ceases when the member terminates cover with PPS Insurance, or at age 71, whichever occurs first. At age 71, a member who has taken out his/her Life Assurance prior to 31 July 1975 will be able to retain the amount of cover he held at 31 July 1975 to a maximum of R 12 000. No annual increases will apply. This amount will then be payable to his beneficiaries.

Lump Sum Disability Assurance (DISA)

This is an accelerated death benefit. This benefit ceases on the date that the member turns 66.

A person, who is not currently an existing member of PPS Insurance, has to be under the age of 56 to apply for lump sum disability assurance. (The applicable amount of Life Assurance should also be applied for.)

Existing members of PPS Insurance can obtain NEW or ADDITIONAL Lump sum Disability Assurance till the age of 56 (age next birthday).

Cover

Up to 100% of the Life Assurance sum assured can be taken as Lump Sum Disability cover with a minimum of R12 500 and a maximum of R 14 079 906.

Once a claim has been paid, the member's total Life Assurance sum assured is reduced by the amount paid out. Life cover will cease if it is reduced to R 0.

Example:	R1 000 000	Life Assurance
	Paid <u>R 250 000</u>	Disability Cover
	Balance R 750 000	Life Assurance

According to the example above the total holding will reduce to R 750 000 once the claim for R 250 000 has been paid out and the premium will be reduced accordingly.

Benefit Payable

The full disability cover (DISA) benefit selected by the policyholder will be payable in the event that the policyholder satisfies the disability criteria (i.e. submits a successful disability claim).

The following disability criteria will apply if a policyholder submits a disability cover (DISA) claim:

- The life insured is in the opinion of PPS Insurance, significantly unable to use his professional training and knowledge to carry out his / her own profession as well as any other profession that could be carried out by persons with similar or comparable qualifications; and
- The disability is in the opinion of PPS Insurance, permanent, significant and severe.

The time period to assess the permanence of the condition will vary based on the condition of the policyholder. There is **NO** standard waiting period. The sum assured will only be paid once the disability criteria are met and the condition is seen as irrefutably and unquestionably permanent.

The following list of indicates the types of conditions that will be covered. The list is NOT exhaustive.

Central Nervous System:

- Advanced Stages of Motor Neuron Disease
- Advanced Stages of Multiple Sclerosis
- Advanced Stages of Parkinson's Disease
- Total Loss of Vision
- Total Loss of Hearing
- Total Loss of Speech
- Wheelchair bound
- Paraplegia
- Quadriplegia and Tetraplegia
- Stroke / CVA with significant cognitive dysfunction
- Dementia
- Head trauma with significant cognitive dysfunction
- Total loss of use of dominant hand / both hands

Respiratory:

- End stage Chronic Obstructive Pulmonary Disease (COPD)

Gastro-Intestinal:

- End stage Liver failure

Neoplastic / Oncology:

- Malignant tumours stage III and IV
- Benign tumours of the brain with significant cognitive dysfunction

Infective:

- End stage AIDS related disease

Cardio-Vascular:

- End stage Cardiac failure

Note: The abovementioned is applicable to existing and new policyholders.

New benefits and features: PPS Life and Disability Assurance Scheme policies

NEW FEATURES	
Change in Occupation	<p>In the event that the life insured changes his/ her occupation, it will be necessary to notify PPS and the life insured's occupation will be re-underwritten.</p> <p>If the life insured's new occupation doesn't satisfy the PPS eligibility criteria then he/ she will be able to: retain their life cover, but will not be able to increase the level/ amount of the life cover; retain the Terminal Illness and Immediate Needs Benefit; however will not be able to retain disability cover (DISA).</p> <p>The life insured may apply for disability cover later on during the term of the life cover, should the occupation of the life insured again meet the required eligibility criteria. The application will however be subject to underwriting.</p> <p>If the life insured's new occupation does satisfy the PPS eligibility criteria then his/ her cover will be unaffected.</p>
TERMINAL ILLNESS BENEFIT	
Benefit Description	This benefit pays a lump sum benefit in the event that the life insured is diagnosed with a terminal illness and is expected to die within 12 months. This benefit is automatically added to the life cover at no additional premium.
Benefit type	This is an accelerated benefit, therefore a Terminal Illness Benefit claim will reduce the amount of the life cover and the premium will also reduce in line with the life cover sum assured
Benefit Term	The benefit term will correspond to that of the life cover
Benefit Amount	50% of the amount of life cover benefit
Premium Pattern	No additional premiums are payable with respect to the Terminal Illness Benefit
Annual Benefit Increases	Since the benefit amount is defined in terms of the life cover sum assured, the Terminal Illness Benefit amount will increase annually in line with the declared increases awarded with respect to the life cover
In event of a Cession	If a cession, is registered against the policy, the policyholder can still submit a terminal illness claim. However the benefit will be paid to the cessionary.
Claim amount	The claim amount will be 50% of the life cover benefit available at the time of the claim
Criteria to claim (Benefit definitions)	If the life insured is diagnosed with a medical condition which, in the opinion of the PPS Chief Medical Officer, will lead to death within the subsequent 12 months the life insured may request the payment of the Terminal Illness Benefit.

IMMEDIATE NEEDS BENEFIT	
Benefit Description	<p>A lump sum benefit paid to beneficiaries within 48 hours of the submission of a valid death certificate to PPS Insurance. This benefit is automatically added to the life cover at no additional premium.</p> <p>The term of this benefit will always be exactly the same as that selected for the life cover.</p> <p>This benefit is not included with the life cover of student policyholders.</p>
Benefit type	This is an accelerated benefit, therefore an Immediate Needs Benefit claim will reduce the amount of the life cover
Benefit Term	The term will correspond to that of the life cover
Benefit Amount	<p>Up to a maximum of R 50 000 (may be less if the life cover sum assured has been reduced to less than R 50 000 by terminal illness and/ or disability claims)</p> <p>This amount may be increased from time to time at the discretion of PPS and declared annual increases will not apply to the Immediate Needs Benefit.</p>
Premium Pattern	No additional premiums are payable with respect to the Immediate Needs Benefit
In event of a Cession	If a cession, is registered against the product, the Immediate Needs Benefit will not be payable for the period of the cession. In the event that all cessions are removed from the product, the Immediate Needs Benefit will once again become payable on the death of the life insured.
Claim amount	Up to a maximum of R 50 000 (i.e. the minimum of R 50 000 and the life cover sum assured will be paid)
Criteria to claim	<p>Presenting PPS Insurance with a valid death certificate for the life insured.</p> <p>Note that death as a result of unnatural causes may result in a delay in payment. A valid death certificate accompanied by a police report needs to be submitted to speed up the payment of this benefit. If the police report cites suicide or suspected suicide and the claim is within the 2 year suicide exclusion period, no Immediate Needs Benefit will be paid. If the death is, after investigation, ruled not to be suicide, the full life cover benefit will be paid out in the usual way.</p>
Payment of Beneficiaries	<p>In the event that more than one beneficiary has been nominated under the LA Scheme policy, the lump sum Immediate Needs Benefit will be paid out in such a way that each of the beneficiaries receives the same proportion of this benefit as they would be eligible to receive of the life cover lump sum benefit.</p> <p>Note that for an Immediate Needs Benefit to be paid it will only be necessary for one of the nominated beneficiaries to provide PPS with a valid death certificate, on the death of the life insured, and then the Immediate Needs Benefit will be paid to all the beneficiaries, in the proportions elected by the life insured (as explained above).</p>

THE PPS RETIREMENT ANNUITY FUND

The PPS Retirement Annuity Fund offers the following:

- Tax advantages on your contributions, portfolio growth and final payout
- Guarantee options on both the returns and capital
- The choice of multiple investment funds according to your risk profile and investment objectives
- The flexibility to change between funds at any time
- The flexibility to change your premiums to suit your needs, i.e. start off with a single lump sum or pay your contributions monthly or annually
- Further flexibility by injecting extra lump sum amounts at any time to your monthly/ annually retirement annuity when you have spare funds
- Transparent changes so that you know exactly how much you are investing

How does the fund work?

As a member of the Fund, the member make(s) a contribution(s) to the Fund to receive benefits once retired. To fund these benefits, the Fund takes out a Retirement Annuity policy with Sanlam Life on the member's life. The Fund is the owner of the policy and uses the member's contribution(s) to fund the RA policy's premiums. Sanlam underwrites the retirement annuity of PPS Retirement Annuity Fund.

After certain fees have been deducted, the net contribution(s) received will be invested in the funds selected. (A maximum of 10 funds may be chosen). The member may switch between the available investment funds at any time.

A person does not have to be an Ordinary member of PPS Insurance to become a member of the PPS RA Fund. He/she may join as an **Associate member**, participating in the RA scheme without obtaining any benefits with PPS Insurance Company. He/she then forfeits the Special Profit Allocation to the Special Rebate Account.

Special profit allocation

The unique benefit of the PPS Retirement Annuity Fund is the payment of a special profit allocation to members of PPS Limited who hold a PPS Retirement Annuity policy. The special profit allocation is calculated annually for each member in proportion to the total PPS Retirement Annuity contributions paid during the year. This allocation is then credited to your PPS Insurance Surplus rebate Account in addition to the annual profit allocation you receive on your PPS Insurance units of benefits.

Tax benefits

With the PPS INSURANCE Retirement Annuity Scheme, full use may be made of the government's tax concessions. Contributions are deductible to the maximum allowed by the Income Tax Act.

- The contributions may be deducted from your taxable income up to certain limits.
- The first R 300 000 lump sum available on retirement will be tax-free, while the remainder is taxed as follows:

Taxable Amount	Rate of Tax
First R 300 000 lump sum	tax free
R 0 - R 300 000	18%
R 300 001 – R 600 000	R 54 000 + 27% tax
Lump sum above R 600 000	R 135 000 + 36% tax

Choice of investment funds

Two types of PPS Retirement Annuity policies are available to members, which offer different investment funds at different minimum required contributions. The two policies are the following:

- PPS Stratus Retirement Annuity
- PPS Stratus Premier Retirement Annuity

As an additional benefit and feature of the PPS Stratus Retirement Annuity option, members may also choose the **PPS Lifetime Investment option**, a facility that manages the asset allocation of funds over a long period and through different life stages, up to retirement.

The PPS Lifetime Investment option (LTIO) addresses an aggressive – moderate risk profile and the targeted return funds managed by SMM and the PPS Enhanced Cash fund will be used as the building blocks for this option. The PPS Lifetime Investment option will be available to PPS members, and will be fully administered by Sanlam.

It is not possible to actively switch if investing as part of the Lifetime Investment option, once the PPS Lifetime Investment option is chosen, all investment will occur accordingly. These switches will take place automatically without cost and the member's premium will automatically be redirected to the new selected funds.

Investment funds available when investing in the PPS Retirement Annuity are as follows:

PPS STRATUS RA INVESTMENT OPTIONS
MANAGED OPTIONS – ONSHORE (mainly RSA)
Balanced Fund (Low Equity) <i>previously known as Balanced Fund</i>
Multi Manager Balanced Fund (High Equity) <i>previously known as Fund of Funds</i>
Vesting Bonus Fund
Multi Manager Balanced Fund (Low Equity) <i>previously known as Multi Manager Balanced Fund</i>
Multi Manager Absolute Return Fund (CPIX + 5%) <i>Previously known as Multi Manager Absolute Return Fund</i>
PPS Multi Manager Inflation + 3%
PPS Multi Manager Inflation + 5%
PPS Multi Manager Inflation + 8%
ACTIVE BUILDING BLOCKS – ONSHORE (mainly RSA)
Equity Fund
PPS Guaranteed Capital Fund <i>closed for new business 13 June 2005</i>
PPS Enhanced Cash
Allan Gray Relative Equity Fund
Investec Relative Equity Fund
Coronation Relative Equity Fund
Multi Manager Equity Fund
NUR Equity Fund
Bond Fund
Stratus Property Fund
WORLDWIDE (50% South Africa, 50% Offshore)
Worldwide Equity Fund
Worldwide Balanced Fund
Worldwide Property Fund

MANAGED OPTIONS – OFFSHORE (100% Offshore) ZAR Currency
Offshore Balanced Fund
Offshore Hedge Fund

ACTIVE BUILDING BLOCKS – OFFSHORE (100% Offshore) ZAR Currency
Offshore Equity Fund
Offshore Money Market US\$
Offshore Money Market GBP Sterling
Offshore Money Market Euro

In addition to the above PPS STRATUS Investment fund options the following Investment funds are available to the PPS STRATUS PREMIER RA policyholders exclusively;

PPS STRATUS PREMIER RA INVESTMENT OPTIONS	
FUND NAME	CLASSIFICATION
Coronation Strategic Income Fund	Fixed Interest
Investec Absolute Income Fund	Fixed Interest
Sanlam Income Fund	Fixed Interest
Coronation Property Equity Fund	Flexible Property
Allan Gray Balanced Fund	Prudential
Allan Gray Stable Fund	Prudential
Investec Managed Fund	Prudential
Sanlam Balanced Fund	Prudential
Fraters Flexible Fund	Flexible
Allan Gray Optimal Fund	Targeted Absolute Return and Real Return
Coronation Absolute Fund	Targeted Absolute Return and Real Return
PSG Balanced Fund	Targeted Absolute Return and Real Return
Sanlam Inflation Linked Fund	Targeted Absolute Return and Real Return
Sanlam Defensive Fund of Funds	Targeted Absolute Return and Real Return
Allan Gray Equity Fund	Equity
Coronation Equity Fund	Equity

Investec Equity Fund	Equity
Nedbank Rainmaker Fund	Equity
Oasis Crescent Equity Fund	Equity
FUND NAME	CLASSIFICATION
RMB Equity Fund	Equity
PSG Alphen Equity Fund of Funds	Equity
Sanlam Value Fund	Equity
Sanlam General Equity Fund	Equity
Sanlam Industrial Fund	Equity
Sanlam Multi-Managed Balanced Fund of Funds	Equity
Sanlam Multi-Managed Equity Fund of Funds	Equity
Nedbank Managed Fund	Equity
Old Mutual Gold Fund	Specialist Funds
Old Mutual Mining and Resources Fund	Specialist Funds
RMB Industrial Fund	Specialist Funds
Sanlam Financial Fund	Specialist Funds
Sanlam Small Cap Fund	Specialist Funds

Switching between investment funds

Currently no switching fee is levied for the first 2 switches in a policy year. For each subsequent switch in a policy year, and administration fee of R350 will be charged.

Policy charges

Policy charges are used to, among others, pay for policy expenses, which may change from time to time. Therefore, PPS RA Fund, may from time to time in addition to the increase in inflation rate, change any of the policy charges and also the way in which these fees are recovered.

Policy charges consist of a policy fee, marketing fee, service fee and fund management fee respective of the investment funds.

Minimum contributions:

PPS STRATUS RA	Single Premium	Ad Hoc Addition (Single Premium)	Recurring Premium Per Month ¹		Recurring Premium Increase ²
			Initial term: > 10 years	Initial term: < 10 years ³	
No conversions:					
Single Premium only	R2 500	R2 500	N/a	N/a	N/a
Single premium + recurring premium	R2 500	R2 500	R150	R300	R70
Recurring premium only (upfront commission)	N/a	R2 500	R150	R300	R70
Recurring premium only (recurring commission)	N/a	R2 500	R100	R100	R70
Conversions	R2 500 ⁴	R2 500	R150	R300	R70
PPS STRATUS PREMIER RA	Single Premium	Ad Hoc Addition (Single Premium)	Recurring Premium Per Month		Recurring Premium Increase
			Initial term: > 10 years	Initial term: < 10 years	
No conversions:					
Single Premium only	R10 000	R2 500	N/a	N/a	N/a
Single premium + recurring premium	R10 000	R2 500	R250	R500	R70
Recurring premium only (upfront commission)	N/a	R2 500	R250	R500	R70
Recurring premium only (recurring commission)	N/a	R2 500	R250	R250	R70
Conversions	R2 500	R2 500	R250	R300	R70

¹ The minimum amount that may be invested per investment fund is R50.00

² Indicates the minimum increase in monthly recurring premiums, if applicable.

³ For initial terms shorter than 5 years, the minimum recurring contribution, if applicable is R500.00 per month.

⁴ This relates to the transfer amount from the old (converted) policy

RA Cover without further proof

PPS Limited members may apply for RA cover without proof of good health according to the following stipulations:

- A maximum of R150 000 life and/or disability cover without further proof of good health will be available.
- The policyholder must be under the age of 51.
- Application for RA cover must be made within 3 months after an increase in cover units was accepted without a loading or limitation.
- The increase in cover units must be at own request. The following increases in cover units therefore do not offer the chance to get proof-free cover:
 - Automatic (proof-free) inflation increases by PPS Limited which occur annually; and
 - The guaranteed rights to additional cover units. (Refer to the Amendments to the Master Contract with effect from 1 June 2005.)
- Regardless of any cover granted free of proof, the assured must still comply with Sanlam's normal underwriting requirements in respect of Aids/HIV. The client must therefore also choose between a multi-test and single-test policy.
- To qualify for this option a policyholder must already have R50 000 PPS Insurance Life Cover or have applied for it at this stage.
- The cover may either be death and disability cover or disability cover only.
- This will only be permitted at intervals of 2 years.

Nomination of beneficiaries

In terms of the Rules of the PPS Retirement Annuity Fund and in conformity with the provisions of the Pension Fund Act 24 of 1956, the Board of the PPS Retirement annuity Fund either has discretion, to pay death benefits to the dependant(s) or designated nominee(s) in such proportions, as they may deem equitable. Where no dependant(s) can be traced within 12 months after a policyholder's death, the full benefit payable to a nominee, who is not a dependant of the member, shall be paid to such nominee, if the estate of the policyholder is solvent

Where the person completing this form is a member of the PPS Retirement Annuity Fund as well as a policyholder of the Professional Provident Society Insurance Limited, the Board of the PPS Retirement Annuity Fund will have the discretion to exercise its rights in terms of the provisions above in respect of the member's benefits under the PPS Retirement annuity Fund. The Board of PPS Limited, however, will not be entitled to intervene in the nomination of beneficiaries in respect of the policyholders benefits in terms of the PPS Life and Disability Assurance Policy.

The following points are important:

- **Who is a “dependant”?**

A dependant is your child, spouse or any person in respect of whom you are legally liable for maintenance and any person who, upon your death, is in the opinion of the Board of the Fund in fact dependant on you for maintenance or in respect of whom you would have become legally liable for maintenance, had you not died.

- **Nominees may be Trusts.**

You may for the guidance of the Board of the Fund, nominate a person, who may be dependant, to whom payment would be made. Such nominee may be a trust, which is for the benefit of a dependant, shall be a trust as contemplated in the Trust {Property Control Act No. 57 of 1988.

If a person entitled to a benefit is a minor, the Board of the Fund may pay the benefit to his or her legal guardian or to a trust established for the benefit of the minor, provided that such trust shall be as contemplated in the Trust Property Control Act, or failing this, retain the monies in trust until such time as the beneficiary is old enough to receive the benefit.

RA Conversions

Background

Stratus Savings an Investment has been established as a new generation investment vehicle, which provides the flexibility and wide range of choices that investor, require these days.

Many PPS members have Sanlam policies on the traditional platform, and would like the opportunity to switch their investments to the new product. The facility to convert an existing universal life policy to a new Stratus investment product exists already.

Rules that apply to conversions

The new policy must have an initial term of at least 5 years.

The transfer value, which goes across as a single premium on the new policy, must be at least R2 500, after deduction of the administration fee of R250.

The new policy must have a recurring premium of at least R150 per month. The policyholder may continue with the same premium as on the old policy (if it is at least R150 per month), and the normal requirement of a premium increase does not apply to PPS members (i.e. premium increase is optional, but premium may not be decreased).

Single premiums may not be added at time of conversion, but at any time thereafter.

Policies with or without risk benefits may be converted. Note however that all risk benefits will be lost after conversion as Stratus is a pure savings instrument.

PROFESSIONAL HEALTH PRESERVER

Description

The Professional Health Preserver is a non-accelerated product that pays a lump sum benefit, according to severity levels, upon standard Dread Disease conditions and Physical Impairment events. The Professional Health Preserver also offers a supplementary Female Add-on Benefit in addition to the standard cover.

Female Add on benefit

This benefit is additional to the Professional Health Preserver. A female member may select this benefit if required and will pay an additional premium for it. This benefit is not available as a stand -alone benefit.

Eligibility

The Professional Health Preserver is subject to the eligibility criteria of PPS Limited and an applicant holding or being granted a minimum of 100 Ordinary units of benefit. Where a member only qualifies for accident units of benefit, the member will not be eligible for the Professional Health Preserver. A member that temporarily ceased the payment of premiums will not be allowed to apply for the Professional Health Preserver policy.

Note: This product is available to student policyholders subject to underwriting, the above eligibility criteria and the cover limits mentioned below. Students must complete a general application form for this product. ***This product can be sold to Namibian members.***

Availability of the Professional Health Preserver

Cover Limits

- The **minimum** cover amount is R 200 000.
- The **maximum** cover amount is R 4 477 409.
- The **maximum** cover amount for the add-on **female benefit** is R 1 207 125.
- The amount selected under the female add on benefit may never exceed the amount selected for the Professional Health Preserver; it can only be equal or less.
- Proof of income may be required at application stage.

Maximum age at entry

56 age next birthday (new and additional business)

Cover Term

Up to age 66 next birthday. This means that benefits effectively cease on the day before the member turns 66.

Amendments

Additional cover will be issued or reduced in tranches of R100 000. If a member would like to reduce a portion of the Professional Health Preserver, the last cover issued will be reduced first. This will include removing all exclusions relating to the last business.

Application requirements

Sum assured	Age up to 30	Age 31-40	Age 41-50	Age 51-56	Age 56 and above
0 – R 500 000	A	A	A	A	N/a as maximum age for product is 56.
R 500 001 – R 750 000	A	A	B	B	NA
R 750 001 – R 1 000 000	A	A	B	C	NA
R 1 000 001 – R 1 500 000	A	B	B	D	NA
R 1 500 001 – R 2 000 000	B	B	C	D	NA
R 2 000 001 – MAX	B	C	D	E	NA

MEDICAL CODES	
A	PPS Application form, HIV test.
B	PPS Application form, Medical Examination by General Practitioner plus HIV test
C	PPS Application form, Medical Examination by General Practitioner, Fasting Lipogram plus HIV test
D	PPS Application form, Medical Examination, Resting and Effort ECG, Fasting Lipogram, HIV test.
E	PPS Application form, Medical Examination, Resting and Effort ECG, Fasting Lipogram, PMA report, HIV test

Declared Annual Increase

- **Premium Increase**

The premium payable will increase every year according to the rate per age as at 31 December of the previous year. Premium rates are not guaranteed and may be revised from time to time at the discretion of PPS Insurance. Members will be informed in advance of any changes to the premium rates.

- **Cover increase**

Cover may be increased each year on 1 January to help reduce the eroding effects of inflation without further medical underwriting. The current maximum sums assured of R 4 477 409 for the Professional Health Preserver and R 1 207 125 for the Add on female benefit will also increase by the declared annual increase.

Example:

Mr. Smith was issued with R 1 000 000 PHP cover in 2004. He claims for a heart attack in the same year – the severity level awarded is 25% and R 250 000 is paid out to him. With auto increases his cover grows as follows:

2005 R 1 075 000

2006 R 1 155 625

2007 R 1 242 297

He suffers another heart attack in 2007 – severity level awarded 50%. How much will Mr. Smith receive?

The 2nd award will amount to 50% of R 1 242 297 = R 621 148.50 **BUT** we need to take into consideration that he has already received 25% for the same condition and therefore he will now only receive 25% = R 310 574.25.

Preservation and Continuation of Cover

Preservation of Cover

Following the claim of one event, cover will be preserved and another claim for an unrelated event can be made based on the full cover amount, subject to severity levels. Certain conditions will be excluded from cover after a claim (see exclusions table on the next page).

Continuation of Cover

Claims for the same condition are allowed until the full sum assured (100% of cover amount) has been paid for that specific condition. This means that the member can continue to claim for the same condition should his condition worsen since the previous severity level award.

Note: The two benefits mentioned above are included in this product without any additional charge.

Example:

Should a member who holds cover of R400 000, claim for a stroke and the claim is awarded on severity level D, the member may continue to claim up to 100% of the R400 000 should the specific condition worsen (declared annual increases also continue).

If the member increased his original cover amount subsequent to the first claim, the increased cover amount will only be applicable under a “preservation of cover situation”, that is any other condition/event apart from the original excluded conditions, in this instance heart attack, stroke, open-heart surgery and coma.

EXCLUSION TABLE

Event claimed under	Events excluded from cover following a claim
Cancer	Cancer
Heart attack	Heart attack, Stroke, Cardiac surgery & procedures, Aortic surgery, Major organ transplant
Stroke	Heart attack, Stroke, Open-heart surgery, Coma
Cardiac surgery and procedures	Heart attack, Stroke, Open-heart surgery, Major organ transplant (heart)
Aortic surgery	Aortic surgery, Cardiac surgery and procedures
Major organ transplant	Major organ transplant
Kidney failure	Kidney failure, organ transplant (kidney). Coma Dementia
Coma	Coma, Dementia
Gunshot wounds	Coma, Dementia
Paralysis	Paralysis, Kidney failure, Major organ transplant (kidney), Loss of use of limbs
Loss of use of Limbs	Loss of use of limbs, Paralysis,
Loss of sight	Loss of sight
Third degree burns	Third degree burns, Amputation, Kidney failure
Multiple sclerosis	Multiple sclerosis, Loss of sight, Loss of use of limbs
Motor neuron disease	Motor neuron disease, Paralysis
Muscular dystrophy	Muscular dystrophy, Paralysis
Dementia or Alzheimer's disease	Dementia, Alzheimer's Disease
Rheumatoid Arthritis	Rheumatoid Arthritis
Parkinson's Disease	Parkinson's disease
Accidental HIV infection	Accidental HIV infection
Amputation	Amputation
Osteoporotic fractures	Loss of use of limbs
Mastectomy	Mastectomy
SLE Nephritis	Kidney failure, Kidney transplant
Hydatidiform mole	Cancer
Ectopic pregnancy	Ectopic pregnancy
Abruptio Placentae	Kidney failure
Severe pre-eclampsia, Eclampsia	Severe pre-eclampsia/Eclampsia, Kidney failure, Major organ transplant
Amniotic fluid Embolism	Coma, Stroke, Heart Attack

Claim benefits

- Claims must be submitted within 6 months from the date of the onset of the events giving rise to a claim together with a certificate from the medical or dental practitioner or any other practitioner who is registered with both the South African Medical Council and South African Dental Council.
- The medical or dental practitioner certifies on such certificate that they personally examined and attended to the member and the certificate describes the nature and cause of the impairment or dread disease.
- PPS Insurance shall be entitled to obtain a special report or require the member to submit to a medical examination by such medical practitioner as PPS Insurance may determine.
- Should the member be awarded the benefits of the Professional Health Preserver, such a member will continue to pay premiums on his sickness and permanent incapacity benefits (SPPI) and will be able to claim for all eligible related incidents. The member may also continue claims on the Professional Health Preserver according to the “preservation and continuation of cover” rules.
- Should the member only receive a portion of the benefit, the cover will be reinstated to the original cover amount, and the applicable premium as per the cover amount will be payable.
- If two claims occur together for e.g. Level C cancer and level B infract, the two conditions could be related and in that case, the higher sum will be paid out, not both amounts.
- If the two conditions are totally unrelated and occur at the same time, both sums will be paid.

Underwriting and Exclusions

- Should a member have a pre existing condition, such a member will be able to apply for cover subject to the normal underwriting criteria and conditions.
- The member will be re-underwritten for additional cover.
- There will be no loadings, only exclusions.
- Rates will differentiate between gender (male/female) and smoker/non smoker status. A separate rate table will be used for the Add-on Female Benefit. The member can change smoking status to non-smoking and pay the related non-smoking premiums. This will only be possible if the member does a cotinine test to confirm the non-smoker status. A waiting period of 12 months is applicable from the date that PPS Insurance received the confirmation of a negative cotinine test, before the rate will be adjusted to the rates of a non-smoker. PPS Insurance will request a second cotinine test after the waiting period of 12 months to confirm the non-smoking status of the member.
- PPS Insurance may at its discretion request a cotinine test at application stage.

Example:

If we receive the confirmation during February 2005 the rate will be adjusted for the February 2006 premium run.

- On the **Female add-on benefit** there will be a 12-month waiting period for any pregnancy related events occurring within 12 months of policy inception. The categories covered are:
 - Osteoporotic fractures
 - Mastectomy
 - Hydatidiform mole
 - Ectopic pregnancy
 - Amniotic fluid embolism
 - Abruptio Placentae
 - Severe Pre-eclampsia and Eclampsia

Claim example:

A female member with breast cancer submits a claim. The claim will be assessed on the standard product, the Professional Health Preserver as cancer is one of the conditions covered on the standard product. However, should the member need a mastectomy, the mastectomy will be paid from the Female Add-on Benefit, as this procedure is specifically covered under this benefit.

- **Delayed awards as a result of clinical condition:**

Some conditions will be subject to a delayed award as per the examples tabled below. Please note that delayed awards may be waived at the discretion of PPS Insurance.

Examples: Delayed awards

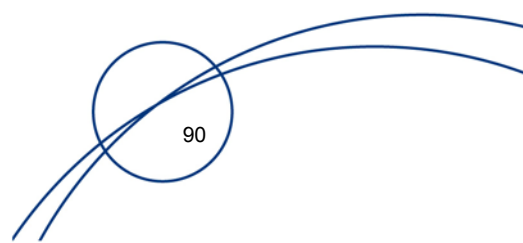
CONDITION	DELAYED AWARD
Heart Attack	Payable after 30 days
Paralysis	Payable after 12 months
Coma	Use of life support system for a period of at least 96 hours
Stroke	Payable after 3 months
Loss of use of limbs	Payable after 12 months

Severity Levels

The Professional Health Preserver benefit payments are proportionate to the severity of the illness itself. There are four severity levels, which are used to determine benefit payments. These levels have been set to ensure that benefit payments provide adequate cover for the impact that the dread disease is expected to have on a member. The severity levels remain the same throughout the product.

The severity levels are as follows:

- Severity A – pays 100% of the benefit cover
- Severity B – pays 75% of the benefit cover



- Severity C – pays 50% of the benefit cover
- Severity D – pays 25% of the benefit cover

CONDITIONS COVERED ON THE PROFESSIONAL HEALTH PRESERVER:

- | | |
|---------------------------------------|--|
| • Cancer | • 3 rd Degree burns |
| • Heart Attack | • Multiple sclerosis |
| • Stroke | • Muscular dystrophy |
| • Cardiac surgery and procedures | • Motor neuron disease |
| • Aortic surgery | • Parkinson's Disease |
| • Major Organ transplant | • Dementia or Alzheimer's Disease |
| • Kidney failure | • Rheumatoid arthritis |
| • Coma | • Accidental HIV infection |
| • Gunshot wounds | • Amputation |
| • Paralysis (Quadriplegia/Paraplegia) | • Reconstructive surgery of facial disfigurement due to accident or assault. |
| • Loss of use of limbs | • Systemic lupus erythematosus with nephritis |
| • Loss of sight | |

CONDITIONS COVERED BY THE ADD-ON FEMALE BENEFIT

- Osteoporotic Fractures
- Mastectomy
- Hydatidiform mole
- Ectopic pregnancy
- Amniotic fluid embolism
- Abruptio Placentae
- Severe Pre-eclampsia and Eclampsia

Waiting Period:

On the Female benefit there will be a 12-month waiting period for any pregnancy related events occurring within 12 months of the inception date of the policy.

Premiums

- Two rate tables (differentiating between gender and smoker/non-smoker status) will be used in terms of the Professional Health Preserver. A separate rate table will also be used in terms of the Female Add on benefit.

- Premiums rates are not guaranteed and will be revised from time to time at the discretion of PPS Insurance. Members will be informed in advance of any changes to the premium rates.
- Student policyholders will pay full premiums.
- Premiums are payable monthly, quarterly, half yearly or annually in advance. The member may select the premium frequency. A discount of 5 percent shall be granted on premiums paid for 12 months in advance and discount of 2, 5 percent on premiums paid for 6 months in advance.
- Premiums are payable before the fifteenth day of the month.
- The member will be allowed to temporarily cease the premium for a period of 12 months for instances stated in the present rule. No benefits will be payable during the period of temporary cessation of payment of premiums.
- If a premium is not paid within two months from the first day of the month in respect of which it is due, cover may be terminated. Interest will be charged on the amount outstanding at a rate to be determined by PPS Insurance.
- Premiums are not tax deductible.

Taxability of benefits

Claims will take the form of a pre determined lump sum amount, the payment is therefore of a capital nature and will therefore not be taxable.

Benefit cessation

Benefits will cease:

- At age 66 next birthday – this means that benefits effectively cease on the day before the member turns 66.
- When the Insured Life dies.
- Cancellation by the member.
- When the policy lapses.
- Upon cancellation of the SPPI policy with PPS Insurance.
- PPS membership is terminated at Hold Co level. When PPS Insurance Co. Board terminates the policy due to material non-disclosure.
- Non payment of premiums

Surplus Rebate Account

There will be no direct profit allocation to the Surplus Rebate Account from this benefit. As this is a risk product only, members purchasing this benefit will share in the profits with the broader body of ordinary members. (This is similar to the profit allocation of the current Life Assurance Scheme).

Cession as Security

A member may individually cede his or her rights as **security** under the Professional Health Preserver. Such a security cession is only valid if:

- The cession is in writing, and a copy is sent to and acknowledged by PPS Insurance.
- Notwithstanding notification of such cession to PPS, PPS bears no responsibility for the validity, enforceability or any other matter arising from the cession.
- Notwithstanding the cession, the policyholder shall comply with all the terms and conditions of the Policy and the cessionary shall have no rights under this policy save to claim any Benefits due to the policyholder which are lawfully ceded in terms of this cession, and the receipt of the cessionary in respect of such Benefits will discharge PPS of all further liability in respect of the claim in question of the policyholder up to the amount of such receipt.
- A policyholder must notify a cessionary of the provisions of this clause.
- PPS Insurance may place an endorsement on the Professional Health Preserver policy stating that the policyholder's rights under the Professional Health Preserver policy have been ceded as security.

Note: The Life Assurance and the Professional Health Preserver may be ceded separately as the Professional Health Preserver is a non accelerated product.

PPS BENEFICIARIES TRUST

A trust is a separate legal entity (non natural person) registered as contemplated in the Trust Property Control Act 57 of 1988, for the purpose of managing assets for the benefit of pre-defined beneficiaries. The rationale behind a trust is to have responsible people (the trustees) manage assets for the credit of beneficiaries who for some or other reason are at risk when doing it themselves. A trust would be meaningful in the following situations:

- if a minor is an heir to an estate
- if an heir is incapable of looking after their own financial affairs
- if complexities exist in the family composition, or any other reason for wanting to exercise control over wealth you have created.

The PPS Beneficiaries Trust is an umbrella trust. In other words an already existing trust available to individuals, not just PPS Limited members, who needs a trust facility to manage and protect assets. It is possible to accept cash from any individual, and not just PPS Limited members, because the trust manages assets, and no risk for which underwriting is required is involved.

Instead of creating a new trust at high cost, assets can thus be transferred to PPS Beneficiaries Trust (at death or *inter vivos*). The PPS Beneficiaries Trust is administrated by PPS Insurance Company Ltd (Pty).

PPS Beneficiaries Trusts can be classified as a non-discretionary, vesting trust:

- “Non-discretionary” refers to the fact that the trustees do not have the discretion to appoint or nominate beneficiaries other than those specified upfront.
- In case of a discretionary trust, trustees have discretion on who may be beneficiaries.
- “Vesting” refers to the fact that the beneficiary/ies are known and all capital and income vest in the hands of these beneficiaries, irrespective of whether the monies were paid out or not (as opposed to a non-vesting trust, where the money is transferred to the trustees as if the trustees are the new owners of the money, making the trust itself liable for income tax).

In case of the PPS Beneficiaries Trust, benefits are paid out in cash according to the prescription of the benefactors, making it a non-discretionary trust, limiting tax liability (by the trust) as well as administrative problems and expenses.

Advantages

Many institutions and professional people can provide this facility, but the PPS Beneficiaries Trust has certain advantages:

- It is an already established trust (umbrella trust). The individual don't need to establish a new individual trust. Instead of creating a new trust, at a high cost, assets can be easily transferred to the PPS Beneficiaries Trust at minimal cost.
- The trust is not only available to policyholders, but can accommodate any individual who needs the service.
- PPS Insurance has got years of experience in this regard, because it has been administrating monies on behalf of minors since the promulgation of the Pension Fund Act in 1956.
- PPS Beneficiaries Trust is not profit driven, as can clearly be seen in the cost structure when comparing to the industry. Administration costs will also further decrease as the number of beneficiaries and the investments increase.

PPS Beneficiaries Trust will administrate the following assets

For practical reasons only cash will be accepted for administration. In the event of the death of the beneficiary, all capital and interest are paid to the deceased estate.

There is no minimum period money should be left in the trust and there is no minimum amount prescribed. However it is advised that amounts of R60 000 and more is meaningful. (R60 000 is derived from the tax free donation of R30 000 per individual that can be made each year, enabling parents to start of with R30 000 each when putting money in trust for children). Lesser amounts will be considered and accepted in exceptional circumstances.

Investment options and their performances

PPS Beneficiaries Trust invests money received in the Investec Money Market fund, but the Investec Opportunity Fund is also available as an option, should a client so wish.

The Investec Money Market is a trust fund that invests in a portfolio of selected money markets instruments (Reserve Bank acceptances, debentures, negotiable certificates of deposits, treasury bills and call accounts), usually available only to wholesale or institutional investors.

The Fund's objectives are to maximize interest income while protecting the capital value, by investing in the SA money market. The Fund may only invest in money market instruments with a maturity of less than one year and its average duration may not exceed ninety days. The Fund aims to outperform regular annual fixed deposits and call accounts over time.

The diagram above shows the performance of this investment option in relation to the All Share Index (ALSI) of the JSE and the All Bond Index (ALBI), showing clearly that cash has been a good investment lately.

Investec Opportunity Fund, which is also available, includes some equities to ensure capital appreciation and better than inflation returns, within a conservative risk profile.

Tax implications

Transfer of assets to the trust inter vivos:

- If an individual transfers money to the trust inter vivos, for his own credit, no transfer taxes are involved. The trust is a vesting trust, meaning that the funds still vest in the individual, and he /she still is the owner of the money.
- If the individual transfers money to the trust, inter vivos, for the credit of a beneficiary, donations tax is applicable.
- To avoid transfer cost (e.g. on immovable properties) only cash is accepted.

Transfer at death:

- If monies are put in trust bequeathed in a will, normal estate duty principles apply.

Yields:

Being a vesting trust, the implication is that the beneficiary is liable for income tax and Capital Gains Tax (However, all monies invested in cash options, will not accrue CGT).

Note: Taking onto account that the beneficiaries are usually minors and widows, and that they generally pay low or no tax, this is very beneficial. If PPS beneficiaries trust was a discretionary trust, the trust itself would be taxed, which could be at a higher rate than for the individual beneficiary.

Costs

- Administration cost is 1.45% plus VAT per annum, of the capital amount.
- Broker or agent fees are 1% inclusive of VAT (once off) of the capital amount, if applicable.
- PPS beneficiaries trust has waived the following charges, resulting in immediate savings:
 - Drawing up of documentation
 - Capital acceptance fee
 - Capital dissolution fee

How to transfer money

- to PPS Beneficiaries Trust at death, the PPS Insurance nomination of beneficiaries form must be used. The “Full name of beneficiary” section must be completed as “PPS Beneficiaries Trust (IT 4876/01) for credit of (name of beneficiary...)” It is advised for the individual’s will to reflect the same wishes.
- to transfer monies inter vivos (while still alive), the payment to the trust must be accompanied with a directive to the trustees. The directive to the trustees must include the amount, the term, as well as the payments.



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