

PPS MUTUAL INSURANCE PRODUCT YEAR IN REVIEW 2020



WE ARE REQUIRED TO ASSESS OUR PERFORMANCE AND, BASED ON THAT ASSESSMENT, MAKE AN ANNUAL DETERMINATION THAT WE ARE PROMOTING THE FINANCIAL INTERESTS OF OUR MEMBERS.

Summary

The 2019-2020 financial year was an unprecedented year with challenges arising from prolonged drought conditions, the worst bushfire season on record, and the onset of COVID in February 2020 which impacted business and communities on a global scale.

Whilst facing into these challenges, PPSM was able to promote its members' best interests and offer support to its members and advisers. The product has been designed specifically for Australia's professionals to provide members with top quality cover. PPS Mutual is only available to individuals who are eligible to practice in one of 24 professions including doctors, lawyers, accountants and engineers. The insurance cover is tailored to meet the needs of professionals and designed to be flexible to the member's changing needs.

Uniquely, as PPS Mutual has been established on a mutual model, the PPS Mutual product also offers a profit-sharing arrangement which has returned profits of at least 7% of premiums paid each year since launch.

Another advantage is that the insurance is pooled with similar professional lives. For the year ending 30 June 2020 the in-force pool had 3,819 lives with an in-force annual premium of \$24.7m (of which the PPSM Super Fund had 636 members and \$1.4m of in-force annual premium).

The key insurance benefits available are:

- Life insurance - providing cover for death and terminal illness;
- Income protection insurance - providing cover for 'temporary incapacity' where you are unable to work to earn income due to sickness or injury; and
- TPD insurance - providing cover for total and permanent disablement or 'permanent incapacity'.

We have made improvements to our services during the period such as:

- Embedded the insurance in the Fund (it launched in April 2019);
- Launched a new website;
- Enhanced our In-touch self-service functionality to provide advisers with the ability to make alterations to existing in-force insurance plans; and
- Developed the ability for a PPS Mutual Member to change their cover to be owned by the PPS Mutual Super Fund, whilst maintaining their premium rates and profit share.

Determination

Based on the assessment of the outcomes achieved and evidence contained in this summary, we have determined that:

- Members' interests are being promoted;
- The basis for the setting of fees is appropriate for members;
- The Plan members are not disadvantaged or inappropriately financially affected due to the scale or costs of our business operations;
- The options, benefits and facilities offered under the product are appropriate to members; and
- The insurance strategy for the product is appropriate to members.

As members do not accrue an account balance, and therefore there are no funds invested, we have determined that the investment strategy for the Plan, including the level of investment risk and the return target, is appropriate to members.

Member services and product options

PPS Mutual's focus is on providing professional and excellent support to our members in particular during the most difficult times in their life when making a claim. We are currently looking at ways of measuring our performance ensuring that we continue to deliver exceptional services and meet members' expectations.

Our offer is unique. For most professionals, the biggest asset they have is their ability to earn an income. They have often spent years in training and benefit from the delayed gratification from their future earnings. Protecting their income stream - should they be unable to work for a period or ever again) - should be an important consideration and can be achieved through Income Protection and Total and Permanent Disablement insurances.

PPS Mutual's product has a number of unique features that have been developed for the professional market:

- The ability to increase cover without medical underwriting on certain career events such as setting up private practice;
- Cover automatically indexes each year in line with the higher of inflation or the increase in professional earnings; and
- The ability to take a career break and then return the sum insured to the previous level without medical underwriting.

Additionally, we have the concept of Split Income Protection and Split TPD benefits that allow the client to pay most of the premium using superannuation monies yet retain the higher level of benefits that can only be purchased in a non-superannuation environment.

Professionals generally have more complex financial needs than most other occupations. Hence, the personal advice provided by a qualified financial adviser ensures they get advice based on their personal circumstance and in their best interest.

Financial advisers selected to distribute the PPS Mutual Super Fund product go through a rigorous training and accreditation process before being able to recommend PPS Mutual Professionals Choice. We provide a number of tools to members' financial advisers to support members' needs, including:

- Training and support for back-office teams as well as for the advisers;
- The ability to quote online with a highly visual quoting tool that demonstrates the benefits and structures selected;
- The ability to make changes to client details and quote and apply for additional business online;
- Regular briefings on industry issues; and
- Support in developing marketing tools for adviser groups.

We have increased our membership significantly over the last financial year, which reflects our ability to attract and retain members based on the insurance options we provide to the professionals. We have also significantly expanded our PPS Mutual accredited financial adviser database. We believe we have met our objective to provide value add products, services and facilities to ensure members receive appropriate services for the fees paid.

We also have a very low lapse rate of 4% in comparison to industry average lapse rate of 14.7% according to NMG Retail Advice Channel Risk Distribution Monitor Q2 2020.

Based on the above, the Trustee has determined that the member services, and product options for PPS Mutual is appropriate to our members.

Insurance

PPS Mutual provides members with access to retail insurance offering death, total and permanent disability and disability income insurance benefits. It does not provide members with access to an accumulation account. Instead, all moneys received into the division are used to pay the insurance premiums. The PPS Mutual Super Fund provides a 15% rollover rebate, so that only 85% of the insurance premium needs to be paid by rollover to the fund and the Fund provides the other 15%.

The retail offer to members is only available via PPS Mutual accredited financial advisers.

Members' insurance cover is provided to members with consultation with the PPS Mutual accredited financial adviser. PPS Mutual provides the opportunity to tailor member insurance cover to specific needs. Additionally, each of the benefits have been designed to be top end as demanded by professionals and have been tailored for professionals such as the ability to increase cover on certain professional events, indexation in line with professional earnings.

Members' advisors are able to align members' cover to their personal circumstances ensuring the premiums members are charged appropriately reflect the cover they require.

Whilst there have not been any claims yet through the Fund, for PPS Mutual, in general claims processing (which includes the administrative actions of preparing the claim pack, delivery of the assessment pack to NobleOak and payment of the approved claims) is delivered with 100% within SLA.

Claims assessments are also delivered 100% within the standards as set out in the FSC Life Insurance Code of Conduct.

On average the time taken from initial claim notification to the claim decision (which includes wait time for members to provide claim evidence) is 30 days.

As this is a financial advisor product only, and financial advisers determine the appropriateness of the insurance and the cost of the cover, as such, the Trustee does not look to measure the impact of insurance eroding members' retirement income for members.

Based on the above we have determined that there is no inappropriate erosion of members' retirements income due to the impact of insurance premiums.

Fees, Investment Returns and Risk

PPS Mutual provides insurance cover for members within a superannuation environment. It has no investment component, and therefore investment returns, or risk are not applicable, since members do not accrue an account balance.

Members in PPS Mutual are charged an annual Plan Fee, which was \$157.92 and included in the insurance premiums for FY 20. The adviser may be entitled to a commission of up to 60% of commissionable premium in the first year and 20% in subsequent years.

Based on the above, the Trustee has determined that the basis for the setting of fees is appropriate for our members, and the scale or cost of our business operations are not inappropriately affecting the financial interests of our members.

This Update is issued by Diversa Trustees Limited (ABN 49 006 421 638, AFSL 235 153, RSE License No. L0000635) as Trustee of the PPS Mutual Super Fund, a life insurance only sub-division of the Tidswell Master Superannuation Plan ABN 34 300 938 877 and should be read together with the PPS Mutual Super Fund Product Disclosure Statement (PDS), which can be found at https://www.ppsmutual.com.au/uploads/PPS_022_Super-fund_PDS-brochure_18-Dec20_Final.pdf. The information contained in this update is general information only and doesn't take into account your personal objectives, financial situation, needs or circumstances. Before acting on this information, you should consider its appropriateness, having regard to your personal objectives, financial situation, needs and circumstances. Before you make any decision about whether to acquire or continue to hold the product or an investment available in the Fund, you should consider the PDS and other associated documents referred to in the PDS. The PDS and any associated documents incorporated by reference can be found at <https://www.ppsmutual.com.au/legal-compliance/> or by calling 1300 401 436.