

Press release – Product: 14 March 2012

## **New life insurance entrant offers greater value, efficiency and sustainability**

- *New entrant BrightRock introduces needs-matched life insurance, a new concept in life insurance designed to better meet consumer needs*
- *Cover is created at the outset to exactly meet clients' needs and change with their needs as they change over time*
- *The result for consumers is greater affordability, value and efficiency and more sustainable premiums.*

As life changes, so should your life insurance.

That is the driving thought behind “needs-matching” life insurance products (patent pending), a new concept introduced by BrightRock during the company’s national launch to the independent financial adviser market this week.

Independent financial advisers are now able to offer their clients the most relevant and suitable financial protection created specifically to meet clients’ exact, individual needs at inception. Needs-matched cover is also designed to adjust to a client’s changing needs throughout their lifetime.

The upshot is greater affordability, value and efficiency, and more sustainable premiums, because clients pay only for cover they need.

### **From “Three Ds” to matching needs**

BrightRock’s Executive Director: Actuarial, Schalk Malan, says existing products are structured around the events that will trigger a claims pay-out – the three Ds of Death, Disability and Dread disease – rather than around the financial consequences clients will face as a result of a claims event.

“With these products there is no visible link to the client’s actual needs and how their needs will change over time”.

According to Malan, traditional policies are not able to adapt seamlessly and efficiently over the lifetime of the policy to the way an individual’s needs changes. This creates inefficiency, which has an impact on the long-term relevance and affordability of cover.

“Because these products are priced in advance over the lifetime of the policy, clients in many instances are paying now for cover they will never need. This added expense coupled with affordability constraints, mean that they often compromise on the level of cover they are getting now.”

BrightRock says its focus, by contrast, is on making sure the cover is relevant and appropriate both to the event and the underlying financial need. When clients’ needs change over the years, as they are bound to do, their BrightRock cover is designed to follow suit.

## Benefits of needs-matched life insurance

There are important key benefits of matching cover and needs more closely. First, cover exactly matches clients' needs at inception and stays relevant throughout the lifetime of the policy, as it is designed to track the expected fluctuations in financial needs over time. For financial advisers, this helps ensure both the immediate and long-term appropriateness of their advice.

Second, clients have a better understanding of what their policy covers and how, which makes the financial adviser's task considerably easier. If clients choose to under-insure for affordability or other reasons, they also have a better understanding of these short-falls in their cover and the potential impact. For financial advisers, it supports their disclosure obligations and the ability to manage clients' expectations effectively.

Third, regular risk-review and policy servicing are easier for financial advisers because the link between cover and financial need is more apparent to the client. BrightRock has also created product features to make it easier for financial advisers and their clients to make changes to their cover when their circumstances change, supporting on-going advice.

Fourth, cover is more cost-efficient because the product structure is designed to bridge short-falls and remove waste, making it possible for financial advisers to advise clients to apply their available premium rands more effectively. This frees up funds to deploy elsewhere within the client's risk portfolio. It also has a positive effect on long-term premium sustainability, because future premiums stay appropriate to the need.

## Meeting the needs

By looking carefully at the different financial needs people need to cover in case they are injured, get sick or die, BrightRock has grouped risk into six distinct financial needs – debt, healthcare, education, household expenses, estate duty and additional illness- and injury-related needs. These groupings are based on how the different needs tend to behave over time.



Figure 1. BrightRock's needs-matched structure allows clients and financial adviser to specify their cover per need and per claims event.

Once a financial adviser has helped his or her clients to identify their specific needs among the six financial needs, they can specify BrightRock cover for each one. The financial adviser guiding the process is equipped to help clients vary the level and duration of cover for each of their individual needs and specific to each insurable event.

Clients are then able to make very specific choices about the term, growth and pay-out structure of their cover, both per insured event and financial need. For example, for education cover parents can choose:

- To grow their cover at a faster rate than consumer inflation, while their cover for other needs grows at consumer inflation only
- To end the cover for each child anywhere between ages 18 and 24, depending on when they expect their child to graduate
- For an insurance event like death or permanent illness or injury, to have their education paid out either as a lump-sum amount or as a recurring monthly amount.

### Choice and protection

The best financial plan is an adaptable one, so flexibility is central to BrightRock's philosophy. Clients are able to change their risk solutions not only at the outset and during the course of their policy, but also at the time of a claim.

- **Cover term for specific needs:** Clients may need some cover throughout their lifetime, while other cover is needed for a shorter term. For needs like debt and education, cover will end for these needs respectively when the debt repayment term ends or at the dates when the client expects each of their children to graduate.
- **Pay-out structure for specific needs:** Because several of the financial needs BrightRock covers are recurring, such as education needs, healthcare needs and remaining household expense needs, clients can choose to receive either a lump sum or a regular monthly cover pay-out.

The industry standard is to cover recurring financial needs as a lump sum, but BrightRock believes in offering clients the choice when they buy their policy to protect these needs with either a recurring monthly pay-out or a lump sum. And if they do opt for the lump sum, BrightRock clients have the choice at the time of their claim to change to a recurring pay-out if that should better suit their requirements at the time of the event.

- **How cover and premiums should grow:** Clients can choose how cover should grow at a policy level and to track each specific need. Insofar as premium increases are concerned, clients can select these at policy level, ensuring predictability
- **When cover should end for specific needs:** Cover should end when the need ends. The age of dependants, the nature of the relationship between the dependant and the life insured, retirement provisions and savings all have a bearing on the duration of needs. Clients are therefore able to choose the term for each need considering these factors.
- **Choices when circumstances change:** BrightRock believes it should be easy for clients to change their cover as and when their circumstances change and has therefore designed two key product features specifically to achieve this. The first is a cover buy-up facility, which allows clients to increase their cover by up to 25% for each new need with fewer

underwriting requirements. The second is a cover conversion facility that allows clients to use the premiums they were paying for a financial need they no longer have to get more cover for another need.

### **Claims certainty – another important feature of BrightRock’s offering**

The company’s research and development efforts have focused on claims certainty, with two specific outcomes in mind for clients. Firstly, extensive work in partnership with international clinical and risk experts to ensure BrightRock’s clinical claims criteria are objective, transparent and industry-leading, and protection that has the ability to adjust appropriately to the specific requirements of the client’s injury or illness, whether temporary or permanent, to ensure cover is relevant to the financial needs.

Malan says that through the unique features of its products, including those outlined above, BrightRock is able to offer clients financial protection that’s more relevant and efficient, because it is designed to meet their needs and change with them throughout their lifetime.

(Ends)

### **About BrightRock**

BrightRock was started in 2011 with the goal of creating insurance products that truly meets consumers’ and financial advisers’ needs. BrightRock is an underwriting management of Lombard Life Limited and has the backing of the Lombard Insurance Group. Lombard was established over 20 years ago and operates in the short-term, credit risk and long-term insurance industry, currently holding over R1,3 billion in assets. BrightRock’s primary reinsurance treaty is with one of the world’s three largest reinsurers, which holds an AA- rating from Standard and Poor’s. BrightRock is headquartered in Johannesburg with regional hubs in the major centres of Johannesburg, Pretoria, Durban and Cape Town, and a national distribution footprint through independent financial advisers. Visit [www.brightrock.co.za](http://www.brightrock.co.za) for more information.