



life,
done
better

FMI'S CLAIMS REPORT 2018 STATISTICS

Temporary Income Protection claims

www.fmi.co.za

Client Care : **086 010 1119**

FMI is a Division of Bidvest Life Ltd, a licensed Life Insurance Company and authorised Financial Services Provider FSP 47801.

TEMPORARY ILLNESS OR INJURY CLAIMS

Claims assessment for Income Protection claims vary greatly throughout the industry:

- Some insurers only offer a few of the below criteria.
- It's important to have access to all of these ways of claiming, so that you have the greatest chance of getting your claim paid at the highest possible amount.

INCOME PROTECTION CLAIMS IN THE INDUSTRY ARE TYPICALLY ASSESSED IN ONE OF THE FOLLOWING WAYS:

Sickness Claims – Pays on a doctor's sick note, often up to a maximum period, based on the American Medical Association Guidelines.

Occupational Disability – Pays if you can't perform the duties of your occupation, due to an illness or injury. The assessment is based on a medical claim form, which is completed by the treating doctor, and objective medical evidence.




Loss of Income – Pays if you can prove that you have lost at least a percentage of your income due to an illness or injury. Proof of pre-disability income and loss of income is required.

Permanent Functional Impairment – Pays a percentage of income if you suffer a permanent impairment, e.g. loss of limbs.

Defined Events – Pays 100% of cover if certain events happen, based on meeting an objective medical definition. The assessment is based on objective medical evidence, e.g. x-rays or blood tests, and the treating doctor doesn't need to complete any additional forms.

FMI uses a combination of all these criteria to ensure you have rock-solid cover in place should you get ill or injured.

FMI'S INCOME PROTECTION CLAIMS CRITERIA

	 INJURY & ILLNESS COVER	 CRITICAL ILLNESS COVER	 LIFE COVER
INCOME BENEFITS	Protect 100% of your monthly income TIP EIP Temporary Income Protector Extended Income Protector	Receive 130% of your TIP benefit for 12 months so you can take the time off that you need to recover, plus cover the extra day-to-day expenses	A guaranteed monthly income for your loved ones - select a benefit term of your choice
LUMP SUM BENEFITS	Provide for additional expenses that come with living with a disability	Provide for additional expenses that arise if diagnosed with a critical illness	Provide for additional expenses that your loved ones will face if you pass away

Our extensive experience in assessing Temporary Income Protection claims has enabled us to identify common challenges with the various assessment types and improve on these claims assessment criteria to make sure our clients have peace of mind that their claims will be paid.

1. DEFINED EVENTS

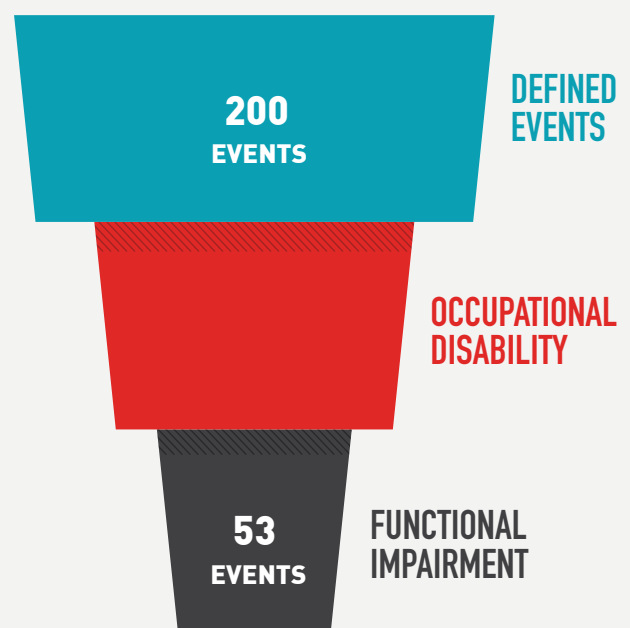
Our fast-tracked 200 Defined Events means you'll get paid (almost) instantly, for a specified period, even if you can still work! This means simplicity and objectivity for the assessment of Income Protection claims.

2. OCCUPATIONAL DISABILITY

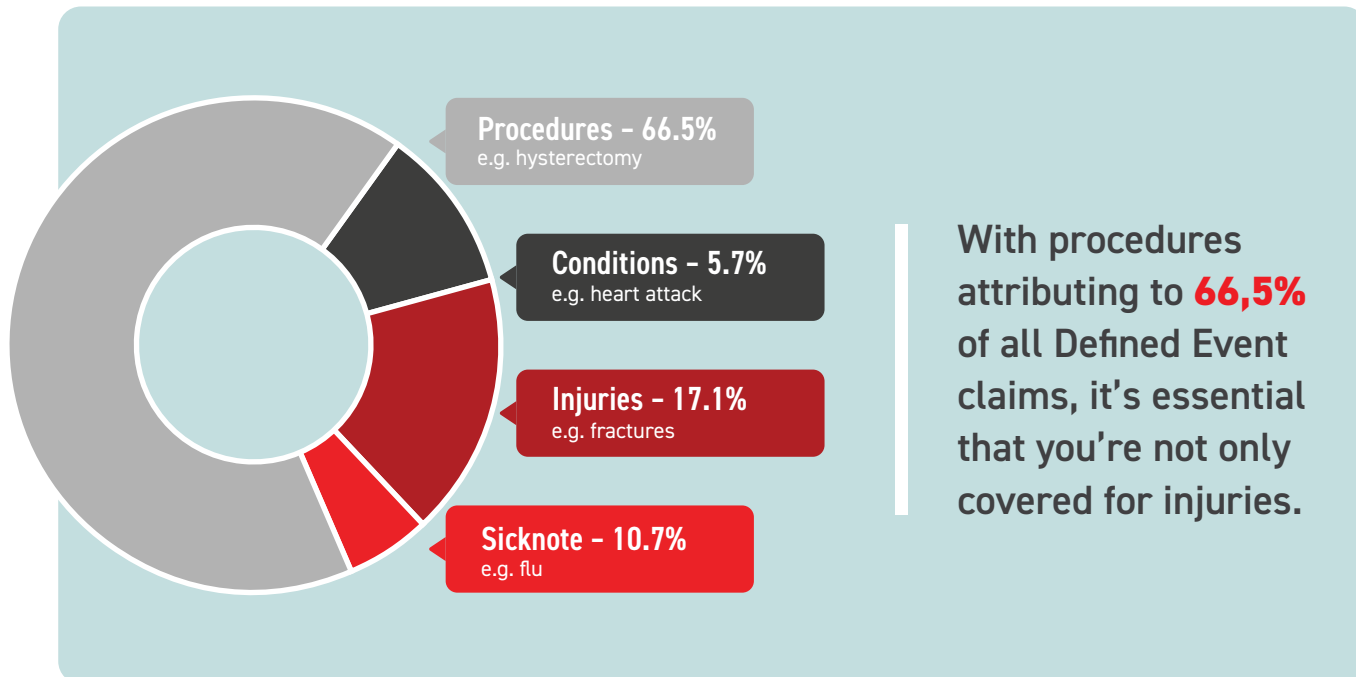
Occupational Disability assesses your claim on your ability to perform your job. You'll be assessed on Occupational Disability if your claim lasts longer than the specified payment period. For claims where Defined Events is not applicable, the claims assessment will start using Occupational Disability criteria.

3. FUNCTIONAL IMPAIRMENT

You'll receive a percentage of your income, based on the severity of your on-going condition, even if you can still work, e.g. blindness, respiratory function, loss of limbs.



UNPACKING DEFINED EVENT CLAIMS

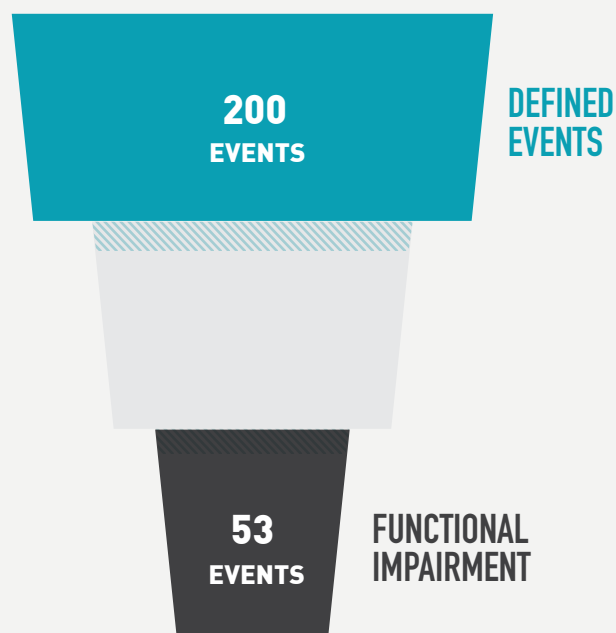


HOW HAS OUR DEFINED EVENTS HELPED US OFFER COVER TO PREVIOUSLY UNINSURABLE OCCUPATIONS?

With a pre-defined list of common events on both the Defined Events and Functional Impairment claims criteria, we have been able to offer cover to 250+ occupations who previously struggled to get income protection. We call this product **'EVENT-BASED' FMI INDIVIDUAL**.

Clients that fall into this stream of cover will know exactly which events they're covered for and for how long, and these events will have specified payment periods.

Take tennis coaches, for example. They qualify for 139 events and have access to this list upfront, before signing their policies.



No Occupational Disability criteria for Event-Based FMI Individual

OCCUPATIONAL DISABILITY – PARTIAL CLAIMS

Choose the higher payment between % of duties unable to perform or loss of income - the choice is yours.

We often find that as our clients start getting better, they're able to return to work part-time or they can start taking on some of their normal duties. This results in a partial occupational claim. (1 in 7 claims are a result of partial disabilities.)

The industry typically use a loss of income approach when calculating partial disability claim payments. However, you may not suffer the loss of income in the time that you're off work (e.g. commission earners). Because 'one size doesn't fit all', at FMI, if you're partially unable to work, we will pay you on the percentage of your duties that you're unable to do and we give you up to 30 days after the end of the claim to have it reassessed on a loss of income basis, if this results in a higher pay-out. The choice is yours!

% OF DUTIES UNABLE TO PERFORM

What portion of your job are you unable to perform?

OR

LOSS OF INCOME

How much income have you lost?

Your choice = highest possible pay-out

COMMISSION EARNER/SELF EMPLOYED

As a commission earner, you often only get paid months after work is complete. This means if you have an injury or illness, you may still receive an income during the period you're off work and will only be affected by lost income later - when you've already gone back to work. That's why we give you the option to have your claim paid based on the percentage of your job you're unable to perform.



PLUMBER

As a plumber, 50% of your duties may be admin (e.g. quoting and invoicing) and the other 50% manual work. However, 0% of your earnings actually come from that admin, whereas 100% of your income is from the physical work you do. That's why you can choose to have your claim paid based on loss of income.



NO AGGREGATION AGAINST ACTIVE INCOME FOR THE FIRST 24 MONTHS

This means that on our temporary Disability benefits, we will not reduce the claim pay-out by any other income you continue to earn.

TREATING OUR CUSTOMERS WITH EMPATHY

Driver's Extension

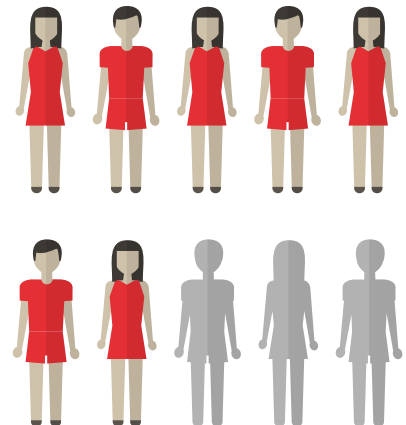
Under Occupational Disability criteria, if you're unable to perform less than 25% of your job and the only reason why you can't do your job is because you can't drive, we will pay you R250 per day so that you can appoint a driver.

Childbirth benefit

Automatically included if you take TIP. If you have a baby more than 9 months from taking out TIP, we will pay you 12 x your total policy premium.

TEMPORARY INCOME PROTECTION CLAIMS

7/10 CLIENTS WILL HAVE AT LEAST 1 INJURY OR ILLNESS DURING THEIR WORKING LIVES THAT WILL PREVENT THEM FROM BEING ABLE TO EARN THEIR INCOME.



The likelihood of at least one injury or illness during your lifetime is higher than you think, with potentially devastating financial consequences.

You are **9x** more likely to have a temporary disability than to have your car stolen or hijacked in SA.

Most people don't think twice about insuring their car, but few consider protecting the income that makes paying for it possible.

Let's put this into perspective your car vs your future income



~R250k
depending on
your car

VS.



~R43million
for a 35-year-old
earning R40 000 pm



Income Protection
is insurance for
your most valuable asset

**R900 car insurance
premium**
(2018 VW Polo)

R480 pm for Income
Protection (TIP & EIP)
plus CI Income

Car insurance would be
approx. **2 x the cost**
of insuring your
income which is worth
over R40 MILLION!

35-year-old female (non-smoker), earning R40 000 pm

IT CAN HAPPEN TO YOU... AND MORE THAN ONCE!

1/3 OF OUR CLIENTS CLAIM ON THEIR
INCOME PROTECTION POLICIES



PROTECT YOUR INCOME BEFORE IT'S TOO LATE

After a disability, you may not qualify for Income Protection or it may come with onerous exclusions or loadings.

**YOU ARE 3X MORE LIKELY
TO CLAIM AGAIN, AFTER
YOUR FIRST CLAIM.**

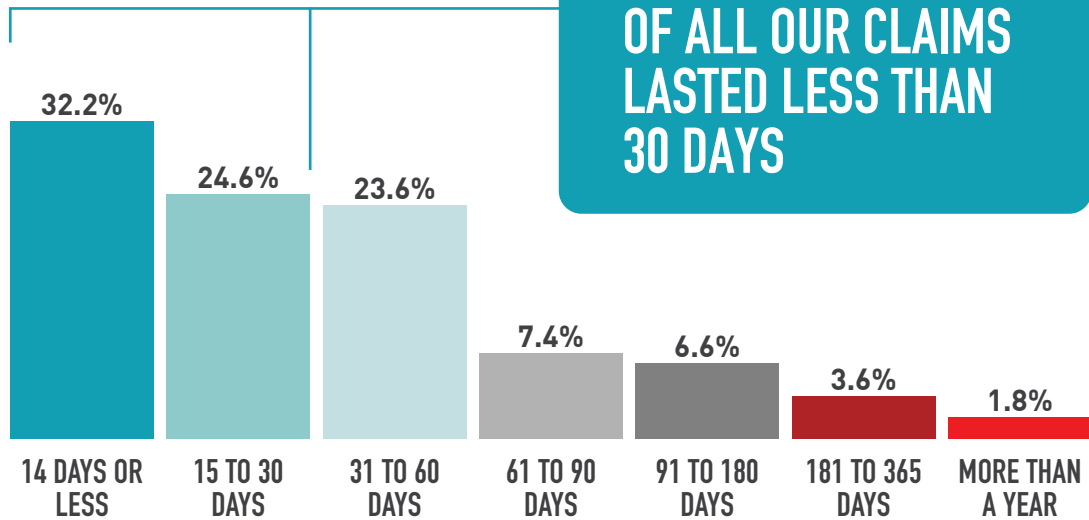


This can point to 2 reasons:

- It is easier to claim than you think
- You are at a greater risk of a related condition

Whatever the reason, once you have claimed, you have a bigger chance of it happening again!

CHOOSE THE SHORTEST WAITING PERIOD POSSIBLE



BUT – MORE THAN 60% OF CLIENTS HAVE CHOSEN WAITING PERIODS OF 30 DAYS OR LONGER.

“ Clients don't understand the importance of a waiting period until they claim and often can't get a shorter waiting period once they've claimed. ”

– MAGDA BRIERS, FMI HEAD OF CLAIMS

PRICE AN ISSUE?

FMI ALLOWS YOU TO SPLIT YOUR COVER ACROSS WAITING PERIODS

This flexibility in our product is perfect for someone who earns a combination of commission and basic salary, or to help make your premium more affordable.



CASE STUDY

30-YEAR-OLD
MALE

EARNING

R30 000 PER
MONTH

ALL COVER ON 7-DAY WAITING PERIOD:

- Cover: R30 000 per month

Premium: R271.84

OR

SPLIT COVER OVER DIFFERENT WAITING PERIODS:

- Cover: R10 000 (7-day waiting period)
- Cover: R10 000 (14-day waiting period)
- Cover: R10 000 (30-day waiting period)

Premium: R197.76



ESTATE AGENT: 7-DAY WAITING PERIOD

Daniela lives with the devastating autoimmune disease, Lupus, which results in periods of being too ill to work.



BENEFITS OF OUR COVER:

- ✓ Shortest waiting period for commission earners like estate agents.
- ✓ The waiting period is waived for related claims within a 24-month period.

DANIELA'S CLAIM

LUPUS RELATED	FMI (7-DAY WAITING PERIOD)	MOST OTHER INSURERS (30-DAY WAITING PERIOD)
2008 - 3 CLAIMS	27, 20, 44 days	14 days
2010 - 2 CLAIMS	32, 47 days	19 days
TOTAL	170 days	33 days

Competitor would have paid for **33 days** in total - we paid **170 days**

WHY IS THIS IMPORTANT?

There are many areas where people are dangerously exposed to the most likely risk of a temporary injury or illness.

1. DO CLIENTS REALLY KNOW THE T&Cs OF THEIR GROUP BENEFITS?

Most people with Group benefits have a 90-day waiting period. With 88% of our claims lasting less than 90 days, it demonstrates the ineffectiveness of most Group schemes which usually have a 3-month waiting period – and that's if they include a Temporary Income Protection benefit.

2. HAVE YOU ADDED UP THE VALUE OF A SHORT WAITING PERIOD TO CLAIMS LIKELIHOOD?

More than 60% of people who have TIP have a waiting period longer than 30 days. With over half our claims lasting less than that, it's essential to have the shortest waiting period possible. A shorter waiting period doesn't always cost a lot more, however the chance of having a claim is significantly higher.

3. THERE'S NO SUCH THING AS SELF-INSURING

Many people think they'll be okay because they have a rainy-day fund. 'Self-insuring' is risky – some people choose to rely on their rainy-day fund instead of Income Protection. That may be fine for the first incident, but what about the second and the third? What will happen if your rainy-day fund runs out?



WHAT ARE THE ILLNESSES AND INJURIES THAT HAVE STOPPED PEOPLE FROM WORKING?

AVERAGE NUMBER OF DAYS IN CLAIM

66
DAYS

ACCIDENTS

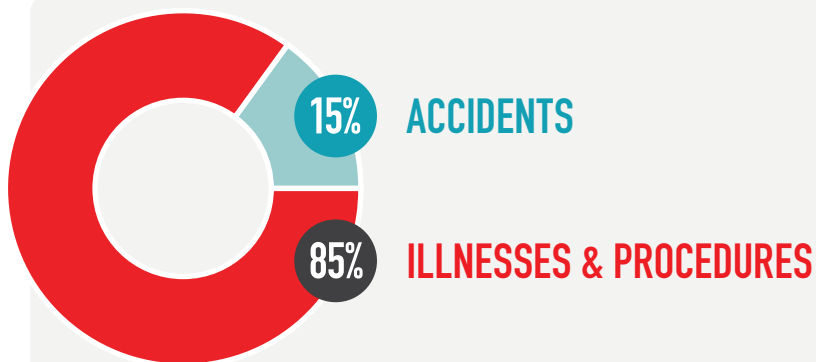


52
DAYS

ILLNESSES AND PROCEDURES



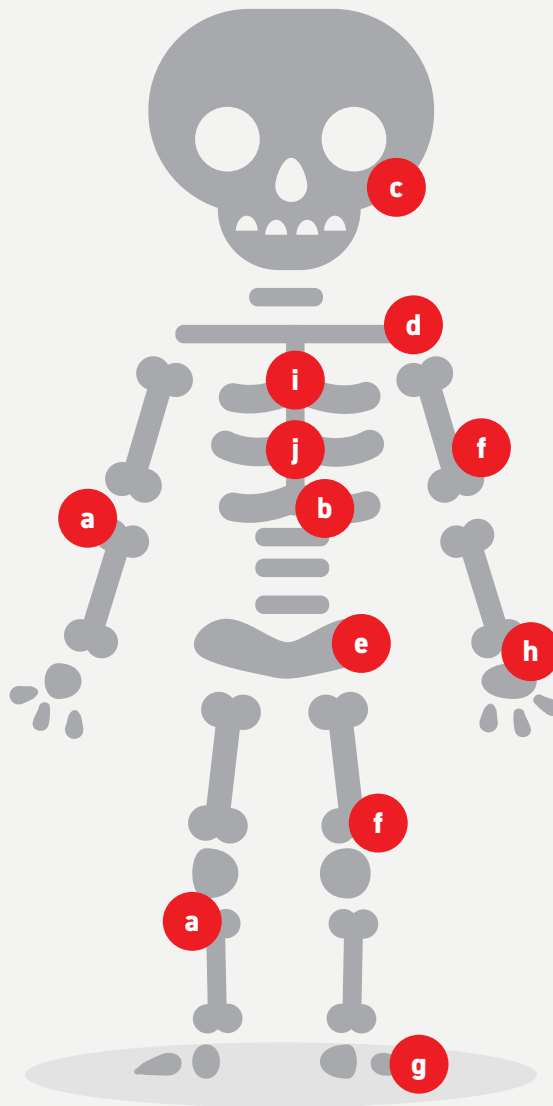
AVERAGE % OF CLAIMS - ILLNESSES AND PROCEDURES VS ACCIDENTS



TOP 10 MOST COMMON CLAIM EVENTS

- 1 Fractures
- 2 Minor infections
- 3 Shoulder surgery
- 4 Muscle/ligament tear
- 5 Knee surgery
- 6 Hernia repair
- 7 Hip surgery
- 8 Spinal fusion/spinal surgery
- 9 Cancer
- 10 Cholecystectomy

TOP 10 BODY PARTS AFFECTED



a Joints	14%	f Limbs	7%
b Digestive system	11%	g Feet	7%
c Head/face	10%	h Hands/wrists	6%
d Shoulders	7%	i Chest	6%
e Pelvis	7%	j Spine	6%

DIFFERENCES BETWEEN MALE AND FEMALE



Top 10 Male Claims

01. Fractures
02. Muscle/ligament tear
03. Shoulder surgery
04. Minor infections
05. Knee surgery
06. Hernia repair
07. Hip surgery
08. Spinal fusion/spinal surgery
09. Prostate surgery
10. Cancer



Top 10 Female Claims

01. Minor infections
02. Fractures
03. Knee surgery
04. Hysterectomy/Myomectomy
05. Hernia repair
06. Shoulder surgery
07. Hip surgery
08. Cancer
09. Cholecystectomy
10. Spinal fusion/spinal surgery

DIFFERENCES BETWEEN LIFE STAGES

UNDER 35 YEARS OLD TOP 5 CLAIMS

1. Fractures
2. Muscle/ligament tear
3. Minor infections
4. Knee surgery
5. Hernia repair

36-45 YEARS OLD TOP 5 CLAIMS

1. Minor infections
2. Fractures
3. Shoulder surgery
4. Muscle/ligament tear
5. Hernia repair

46+ YEARS OLD TOP 5 CLAIMS

1. Fractures
2. Knee surgery
3. Shoulder surgery
4. Muscle/ligament tear
5. Hernia repair

FACT: NON-DISCLOSURE IS ON THE RISE

Our claims pay-out ratio in 2015 was 97%, with 2.4% of the unpaid claims being due to non-disclosure. In 2018 - non-disclosure claims increased to 8% - resulting in our claims pay-out ratio falling to 92%.

Some of the reasons we think may be affecting non-disclosure:

1. Stressful financial times and increased illness = more to remember and disclose when applying for cover.
2. Doctors are sometimes quick to prescribe medication that can result in more 'pre-existing conditions', which affect an individual's ability to get cover without exclusions or loadings.
3. Filling out applications in a hurry! People are rushing and forgetting to really consider their health history.

8%

Almost 8% of claims in 2018 were rejected due to non-disclosure

What is non-disclosure?

The failure to provide accurate and complete information during the application process – typically unintentionally, but sometimes intentionally (being dishonest).

Our non-disclosure philosophy

If we discover new information at claim stage about a client's health, we consider how this information would have affected our original decision when the cover commenced.

If the new information doesn't affect/is not related to the claim - we will typically pay-out as usual, and, if needed, amend the policy terms that pertain to the newly discovered details (such as include an exclusion or a loading).

If we would never have been able to grant the cover at all - then we'll back-date premium payments and cancel the policy.

We'll still try to pay the claim – even if there is non-disclosure!

WHAT IS FMI DOING TO HELP CLIENTS AND ADVISERS AVOID NON-DISCLOSURE?



1. TELE-UNDERWRITING

Tele-underwriting reduces the risk of non-disclosure.

- 1 Talking directly to an underwriter can greatly reduce the risk of non-disclosure.
- 2 We send a transcript of the conversation to the adviser and the client.
- 3 All phone calls are recorded for reference at claims stage.



2. RE-DESIGNING OUR QUESTION SET TO BE MORE 'USER-FRIENDLY'

Added bonus: The digital app form will also be quicker for our systems to process - meaning quicker underwriting decisions!

- 1 Questions will be easier to understand and answer honestly and objectively.
- 2 With our digital app form - editing/adding to answers will be easier as you get more information of your clients' health history. (Coming end of 2019)