

# Discovery Life turns attention to lower incomes

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13 Nov 2012

Financial services company Discovery says that its life unit, which is the biggest earnings contributor to the group, is exploring the possibility of offering lower-cost products in South Africa to see if it can take advantage of the uninsured gap.

In the UK, where Discovery owns 75% of insurer PruProtect, it plans to increase its distribution channels and hopefully boost its customer base.

The company said that it was pursuing the low-income market in South Africa following research which showed there was a gap in this market said Herschel Mayers, chief executive of Discovery Life, PruProtect and Discovery Invest .

"It is a market we are considering. In (Discovery) Health we do provide KeyCare (cost-effective cover for the low-income market)."

He said the company was investigating whether it could set up a similar arrangement for life assurance cover, disability, illness benefits and income protector.

When it comes to JSE-listed insurance companies, the low-income market has largely been the terrain of companies such as Old Mutual, Metropolitan, Sanlam and Clientele.

Research conducted in 2010 by the Association for Savings and Investments SA showed that the gap between actual and required cover was about R18.4-trillion.

This refers to about 12.5m income earners between 16 and 65 who are not insured.

Mayers pointed out that through the integration of products such as Health, DiscoveryCard and Vitality (a programme that encourages clients to lead a healthy lifestyle) Discovery had an offering that attracted customers and providing discounts for various goods and services.

"Integration and engagement in Vitality have resulted in powerful outcomes in terms of low lapse levels and better claims experience," Discovery said in its annual report.

"Policyholders who manage their health and wellness reduce their risk and therefore the long-term liabilities for Discovery Life."

Discovery Life had 674,978 policyholders and Mayers was confident this would grow to more than 700 000.

"We are continuously adding to our agency force. We have about 300 agents and 70 independent financial advisers," Mayers said, adding this could grow to more than 400 in the next year.

In the year ended June, Discovery Life reported a 14% increase in operating profit of R1.8bn. As a group Discovery reported a 21% increase in operating profit of R3.4bn.

Mayers said he still expected Discovery Life to be the biggest contributor in the group and maintain its double digit growth in earnings.

However, Mayers said the big expansion opportunity was in the UK with PruProtect, though there was no plan to increase Discovery's stake at the moment.

The business was formed out of an alliance between investment house Prudential and Discovery. "We are happy with Prudential as a partner. It's a strong brand in the UK. If we wanted 100% we would probably lose the brand."

Discovery plans to boost PruProtect's customer base from just under 120,000 to 200,000 in the next year.

Mayers said PruProtect had about 18 franchises marketing to brokers, with about 140 account managers who marketed to at least 3,500 independent financial advisers.

Discovery wanted to increase these franchises to about 22 in the next year.

He said there were new developments in the UK which were prohibiting investment advisers from getting commission. Advisers in the UK earn fees.

"We are predicting that some of the advisers will start selling protection which hopefully bodes well for growth," Mayers said.

Source: *Business Day* via I-Net Bridge

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