

Discovery teams up with new US insurer

Discovery has named John Hancock Insurance, which will sell products developed on the Vitality model, rewarding policyholders for good behaviour, as its new US lifeinsurer partner.



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John Hancock, one of the largest US life insurers and a division of giant Canada-based financial services group Manulife, launched a suite of products yesterday similar to those of Discovery Life.

Discovery is expanding globally through joint ventures in which it embeds its Vitality actuarial model into insurance products. This includes partnerships with AIA in Asia and Australia, and the Italian-based Generali Group. The Vitality model offers lower premiums to customers with healthier behaviour. This benefits the insurer through lower claims and improved mortality rates.

Adrian Cloete, PSG Wealth portfolio manager, said the deal would not affect Discovery's earnings in the short term but offered a "huge opportunity" in the long term. "Discovery doesn't have the distribution and scale to build an insurer in the US, so it makes sense for them to sell their intellectual property to a partner in a capital light way," he said.

Craig Bromley, president of John Hancock Financial Services, wants the offering to completely change the way people think about life insurance and "reinvigorate the entire category".

Discovery CEO Adrian Gore said on the release of its interim results in February that the US life-insurance market was extremely competitive, so if its US partner could undercut the market using the Vitality model, it would get superior returns.

Discovery has ended its partnership with the US's fourth-largest health insurer, Humana, which runs a Vitality programme for its members. Discovery's first foray into the US market, when it launched Destiny Health in the early 2000s, resulted in it losing about R1.3bn.

Cloete said at that time Discovery had tried to "do it on their own", but without scale in the US, it was not possible to be

competitive.

Source: Business Day

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