



## FMI'S RISK ASSESSMENT MODEL – Designed with the self-employed in mind

At FMI, we are passionate about supporting self-employed individuals and small business owners. These individuals are pivotal to the success of their businesses, from generating income to employing others. While the Life industry often overlooks these individuals, our products are structured to suit their needs, from the way in which we assess risks, define income, structure cover, and pay claims. Our **unique risk assessment model** is based on fully understanding the daily risks faced by the self-employed:

### Job titles aren't everything

Unlike other insurers, we don't assess the self-employed individual's risk in terms of their job title. We understand that the person who runs their own business plays a number of different roles and shouldn't be placed in the same occupational class as the employees working in the business.

Traditional risk assessment models usually classify these individuals based on their underlying occupational risks, with adjustment for the splits between administration, supervisory, manual and travel duties. The reality is that using the underlying occupation as a starting point for assessing risk in this market is inherently flawed as it does not provide a true risk profile.

FMI divides the self-employed into one of three basic classifications (business owner, generalist, specialist). We combine this classification with standard duty splits information and some qualitative key-person profiling information. This enables us to arrive at a more accurate picture of the role the individual plays within their business, and the extent to which the business is dependent on their continued contribution.

### We treat the self-employed as professionals

Traditional life insurers favour traditional professionals because their experience shows that these professionals have a higher life expectancy and this translates into premium discounts.

In contrast, we believe that when it comes to claim behaviour, self-employed individuals have much higher motivation to return to work than that of their salaried counterpart so we offer these people substantially discounted premium rates when compared with their salaried equivalents.

Where there is a degree of manual labour, our risk assessment model provides more appropriate pricing for the self-employed. The traditional insurance pricing model for income protection determines a premium for an individual based on their occupation and the duties of that occupation, classing any occupation with an element of manual duties as high risk. Our approach is different. We recognise that for the most part, a self-employed applicant has to act as a jack of all trades and perform some manual duties.

Traditional insurers also charge a higher premium to those who don't have a formal tertiary education. At FMI, we focus instead on individual work experience and expertise. This means we can more accurately assess the risks faced by self-employed clients and reward these individuals accordingly.

### **The FMI definition of income**

Our definition of income includes all sources, including salary, dividends, bonuses, and profit. We take all these sources of income into consideration at application stage so that when it comes time to claim, we can pay out without lengthy exercises to prove exactly what income has been lost.

We also believe in covering 100% of the income need. While traditional benefits cover only 75% of income on an occupational basis, FMI was the first to offer up to 100% cover for all active income streams on temporary and permanent income protection, from Day 1. That means cover for the amount an individual actually needs to sustain their lifestyle on a monthly basis.

### **Our underwriters understand self-employed occupations**

The self-employed don't fit into neat occupational boxes as every self-employed occupation is different. Our underwriters are experienced in evaluating self-employed occupations, including home-based occupations such as hairdressers, personal trainers, or dance instructors. This means that they offer the correct terms for the specific nuances of each applicant's occupation. Knowing the right questions to ask at underwriting stage translates into better terms upfront and fewer issues at claim stage.

### **We understand how to assess unusual claims**

Traditional life insurance claims (like death claims) are relatively easy to assess. Claims based on ability to work are far more difficult to assess because there is a degree of subjectivity involved. When one considers the self-employed, it becomes even more difficult to assess an income protection claim, because the occupation against which the disability is being assessed is often unusual. This requires claims assessors to be experienced and willing to consider each claim on its own merits.

We have an excellent history of paying the overwhelming majority of claims submitted. This is largely as a result of having claims assessors who are equipped to assess the unique claims of the self-employed. A self-employed individual who chooses an income protection policy with another insurer runs the risk at claim stage of being assessed by someone ill-equipped to do so.

FMI's unique risk assessment model means that our self-employed clients are correctly underwritten at application stage. They can rest assured that should they need to claim, they will enjoy FMI's commitment to claim certainty.

Our products are designed with the needs of the self-employed in mind. To learn more, visit [www.fmi.co.za](http://www.fmi.co.za)

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