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CEO PROFILE

By Jana Jacobs

Reinventing the insurance business model

By approaching life insurance differently, as executive director Schalk Malan puts it, BrightRock has experienced exceptional growth despite tough competition in the sector.

Coming through the process of signing up for insurance can be tedious and sometimes extremely overwhelming. Further, finding the insurance product that suits your specific needs is not always possible, which means you may come up short or realise you have been paying too much.

This is why the founders of BrightRock, who had a lot of experience in life insurance and financial services in general, decided to develop a simpler and better way for consumers to obtain life insurance.

"Often financial advisers and clients just have to accept the product. About five or six years ago, we thought we could create a significant step-change," says **co-founder and executive director Schalk Malan**.

They found that consumers were experiencing a significant amount of wastage when it came to traditional life insurance products because instead of these products "fitting consumers", consumers had to fit into products that did not necessarily suit their specific needs.

And so BrightRock began developing its life insurance product in 2011 and went to market in 2012.

Thanks to the four founders having collective insurance experience ranging from product design and actuarial skills (Malan's speciality), to processing, marketing and distributing insurance

products, the team was able to take on the immense task of starting a new business from scratch.

Malan believes that all these skills were critical in building a strong team that would be able to enter a market of large, successful incumbents.

"Our vision was to create a product that looks at life insurance very differently. A product that actually takes into account those 'change moments', as we call them.

So when you have a new addition to the family, for example, can your policy adapt to that new event?"

BrightRock developed a product that can adapt, and when tackling the existing market, it was important for the company to ensure consumers understood that flexible life insurance was now a reality, says Malan. "Our messaging was critical, as well as listening to customer feedback in order to adapt the product."



BrightRock's founders and directors, from left: Suzanne Stevens (marketing), Leopold Malan (processing), Schalk Malan (product design) and Sean Hanlon (distribution).



ABOUT SCHALK

BEST BUSINESS ADVICE EVER RECEIVED:

Surround yourself with brilliant people.

ON MAINTAINING A WORK/LIFE BALANCE:

I think it's a bit of a misnomer. There is never really that total cut-off. That said, my family is very important and I make sure they understand what it is that I am doing. If I do bring work home, I involve them in the sense that I tell them what it is about.

I do believe being disciplined with your time is key, so I go home at a certain time and make a point of spending quality time with my family.

It's important to focus on pressing needs and prioritising what's critical. Some things will have to wait till the next day.

I also keep sane by exercising.

IF NOT A CAREER IN FINANCIAL SERVICES, WHAT ELSE?

I would have loved teaching. I also enjoy being creative and building things, so I would have loved engineering. That said, I have always wanted to have the opportunity to build a business.

INSPIRATIONAL MINDS:

I really admire people who have managed to build things up from the start. People that were more about contributing than taking out of the system, with the success they achieved being a consequence of this approach. People I see as pioneers who have clear visions.

Names that come to mind are the likes of Anton Rupert and Steve Jobs. There are a lot of them in the insurance industry as well. ■

Back to basics

To use Malan's words, insurance had become increasingly about the "sizzle" of the sell, and they wanted to go "back to basics".

With a traditional life insurance product, the lump sum you are being insured for is based on certain factors, irrespective of the duration of cover and how a consumer's needs may change over time, explains Malan. So, as an example, a client's cover amounts to a total of R10m. Premiums are then paid to this effect, but as time goes on, the client will service down the premium.

The problem is that the client was paying too much from the start, says Malan, "by as much as 30% to 40%".

"By developing a product that understands your needs, matches them and generates savings of 30% to 40% from day one, we were able to put forward a compelling proposition."

Another element that Malan says was missing in traditional life insurance was being able to adjust a policy as the client's life changes – as it inevitably will.

With traditional, commoditised life insurance, consumers are locked into their initial product choices and changes either require additional underwriting later in life when the client's health is likely to have deteriorated, or mean that there has been significant premium wastage up to that point. This means their policy is not flexible as their life changes and new needs arise, or others fall away.

"With us, if you need more cover, you can get up to R10m more. Or if you realise that you no longer need debt cover, you can redirect that premium, say to critical illness cover – free of underwriting. It's built into the product," explains Malan.

For Malan and the BrightRock team it really is about being consumer-centric. "We want to empower consumers."

This probably explains why BrightRock has experienced 72% year-on-year growth in revenue in the 2015/16 financial year, comfortably beating the industry average of below-inflation growth.

And in terms of paying claims, BrightRock is not shy, or unwilling, as is so often the perception consumers have of insurance companies. To date, BrightRock has already paid claims in excess of R220m.

From start-up to the big leagues

Starting a new business is never easy. Entering as competitive a market as the insurance industry, where many players are

offshoots of prominent financial services companies, the BrightRock founders knew they were in for a challenge, and were realistic about the difficulties they would face, but were dead-set on making their business a success.

"We were quite fortunate in terms of funding. We knocked on the door of Miles Japhet, chair of Lombard Insurance, who is an industry stalwart and enjoys new start-ups. At the time I didn't even realise the privileged position – to have such an experienced chairperson looking at this [BrightRock] as a partnership. It was a two-way street."

Japhet also shared the BrightRock vision, which was to disrupt the status quo and build a new business model for consumers, adds Malan.

This support, coupled with a "never-give-up mindset" has seen BrightRock achieving great success, with Malan pointing out that they have truly seen the company's value build over the last two years.

Like the product they have developed, Malan believes that BrightRock's ability to adapt, both in terms of technology and consumer feedback, has been critical to this value build.

Of the BrightRock business model Malan says, "We are always willing to learn from the market and always feed that back into our R&D [research and development]. Further, our model affords all stakeholders the clear ability to raise enhancements. There is constant contact [with advisers and clients] – everyone is at the coalface. As a result, our market is starting to feel that and responds well."

As for the future life of BrightRock, Malan says there are certainly plans to expand the business.

"We want to evaluate opportunities that align with our vision of supporting our clients through their life changes. In the South African market the opportunities are there. Our mission is to build BrightRock into a significant financial services business, not just a life insurance company." ■
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