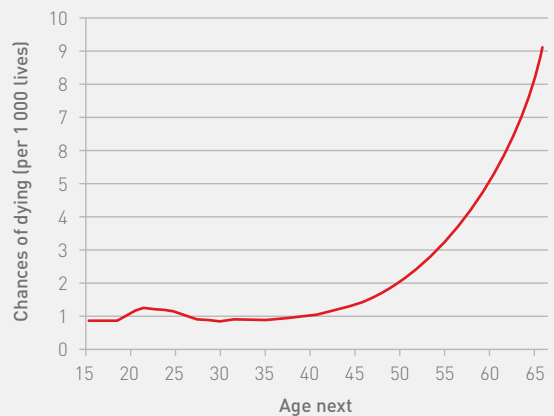




# Premium patterns explained

The chances of dying increase with age. This means that, as a client gets older, his life insurance premium needs to increase to reflect the increased chances of a claim. The problem is that the risk of death does not increase gradually with age. Instead, the risk remains relatively flat for clients younger than 40, but increases sharply thereafter.

The simplest payment arrangement is one where we charge the client a different premium every year to perfectly match the likelihood of dying (known as the risk cost) in that year. This arrangement is clearly not appropriate in all cases.



**Premium patterns were designed to offer clients alternative ways to pay for cover. Clients can choose between 3 basic premium patterns:**

## Age-rated

Description

Offers the lowest initial premium, but premiums will increase in line with the likelihood of death every year to maintain cover.

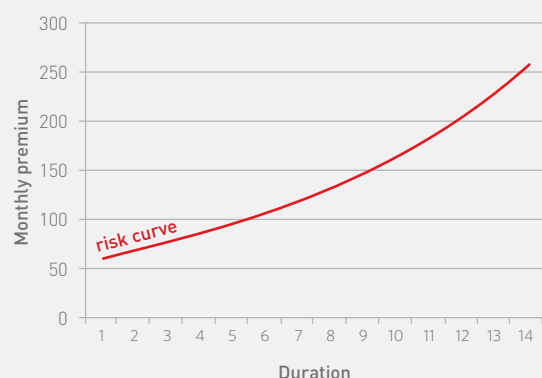
Affordability becomes a problem at older ages. The increase in premium quickly outgrows earnings inflation, especially in retirement.

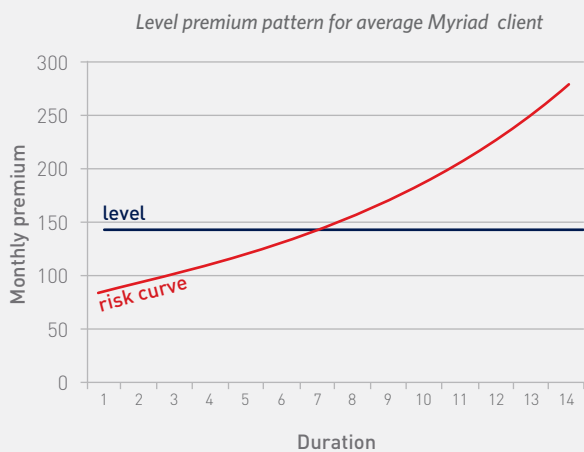
Which benefits?

When covering a short-term need (such as home loan protection), the age-rated premium pattern is a good fit. However, benefits required for a longer term (such as lifestyle protection benefits) become unaffordable at older ages and require a different payment arrangement.

Myriad views fixed compulsory escalating premiums as more appropriate than age-rated premiums, especially for longer term cover. Pure age-rated premium patterns, although accurately priced for risk at various ages on the risk curve, means higher increases as clients get older. These higher increases typically manifest later in life when clients need cover most, but can potentially least afford these increases.

Age-rated premium pattern for average Myriad client





**Level**

**Description**

The level premium pattern is the opposite of the age-rated premium pattern – premiums remain level throughout the policy term. Although the level pattern will have the highest initial premium of all premium patterns, it achieves maximum affordability in the long-term.

**Which benefits?**

This premium pattern is appropriate to fund lifestyle protection benefits required for whole of life.

**Compulsory increase**

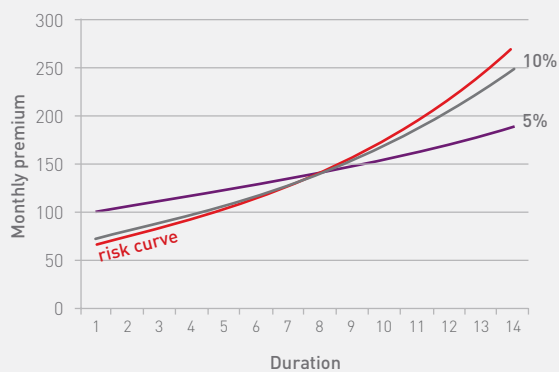
**Description**  
**Which benefits?**

Instead of premiums changing in line with the risk of death, the compulsory increase premium pattern allows the client to pre-select the rate at which premiums increase every year.

The higher the compulsory increase, the lower the initial premium and vice versa.

Use an aggressive compulsory increase to fund short-term needs (e.g. home loan protection) and a moderate compulsory increase to fund medium-term needs (such as income replacement).

*Compulsory premium pattern for average Myriad client*



Unparalleled flexibility puts Myriad at the cutting edge of financial planning. We don't believe in a one-size-fits-all approach. Instead, we believe solutions should take centre stage, and we give financial advisers the building blocks to customise solutions that are just right for clients. In line with our building block philosophy, Myriad offers the most comprehensive range of premium patterns in the market, with 11 options in total.

Myriad offers the flexibility to select different premium patterns for different benefits depending on the client's needs, suitably called benefit-level funding.

Other providers leave you caught between a rock and a hard place.

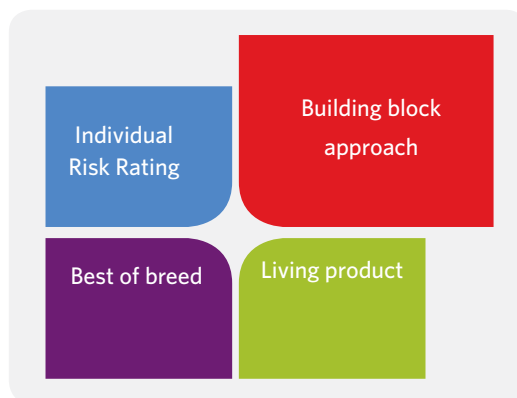
You need to select either:

- A level premium pattern for all benefits, which results in significant premium waste for short-term needs, or
- An age-rated premium pattern, which makes it highly unlikely that your client will be able to afford much needed cover at older ages.

By funding each need appropriately, you can:

- Sell more;
- Ensure long-term affordability for your clients; and
- Protect your book against churn (since most providers will not be able to match your client's policy).

Our building blocks provide you with unmatched flexibility to structure the optimal funding plan for your client.



If you would like more detail, please refer to the financial adviser guide.

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