A SYSTEM AND METHOD OF MANAGING AN INSURANCE SCHEME

BACKGROUND OF THE INVENTION

The present application relates to a system and method of managing an insurance scheme.

The present invention may be implemented by a traditional life insurance plan operator for its members or may be implemented by another party.

Conventionally, insurance policies such as life insurance policies operate on the basis that an insured person, sometimes referred to as an insured life, pays a premium to the life insurer, and the life insurer pays a predetermined sum, referred to as the sum assured, to the insured life or his/her beneficiary on the occurrence of an insured event. Typical insured events are the insured life suffering disability, contracting a dread disease or dying.

However, a factor that is not considered in life insurance is the effect that interest rate increases have on the debt of the insured life. Particularly, if the insured life has debt which they are servicing, any increase in interest rates negatively affects their financial position significantly.

Thus, the quantum of insurance purchased in the event of any insurable event may be correct at the inception of the policy but may not be sufficient after interest rate increases.

A system and method of managing an insurance scheme is provided to address this.

SUMMARY

According to one example embodiment, a method of managing insurance policy includes:

storing in a memory a policy inception interest rate level which is an interest rate level payable on debt of the insured person;

determining after the policy inception an interest rate level payable on debt of the insured person at that time;

comparing the determined interest rate level with the inception interest rate level;

if the determined interest rate level is higher than the inception interest rate level then calculating a debt protector amount to be paid to the insured person; and

on the occurrence of an insured event paying the debt protector amount to the insured person or their nominated beneficiary.

The method may further include

periodically determining after the policy inception an interest rate level payable on debt of the insured person at that time;

comparing the determined interest rate level with the inception interest rate level;

if the determined interest rate level is higher than the inception interest rate level then calculating a debt protector amount to be paid to the insured person;

adding the calculated debt protector amount to any previous periodically calculated debt protector amounts to arrive at a total debt protector amount; and

on the occurrence of an insured event paying the total debt protector amount to the insured person or their nominated beneficiary.

In addition, if the insured person reaches a predetermined age the debt protector amount or total debt protector amount is paid out to the insured person or their nominated beneficiary.

The inception interest rate level and the determined interest rate level may be set by one or more financial institutions or by a regional authority.

According to another example embodiment, a system for managing an insurance policy includes:

a memory for storing a policy inception interest rate level which is an interest rate level payable on debt of the insured person;

an interest rate determining module to determine after the policy inception an interest rate level payable on debt of the insured person at that time;

a comparator module to compare the determined interest rate level with the inception interest rate level;

a calculating module to calculate a debt protector amount to be paid to the insured person if the determined interest rate level is higher than the inception interest rate level; and

a payment module to pay the debt protector amount to the insured person or their nominated beneficiary on the occurrence of an insured event

The system may further include:

the interest rate determining module periodically determining after the policy inception an interest rate level payable on debt of the insured person at that time;

the comparator module comparing the determined interest rate level with the inception interest rate level;

calculating module calculating a debt protector amount to be paid to the insured person if the determined interest rate level is higher than the inception interest rate level and adding the calculated debt protector amount to any previous periodically calculated debt protector amounts to arrive at a total debt protector amount; and

the payment module on the occurrence of an insured event paying the total debt protector amount to the insured person or their nominated beneficiary.

In addition, if the insured person reaches a predetermined age the payment module pays the debt protector amount or total debt protector amount to the insured person or their nominated beneficiary.

The inception interest rate level and the determined interest rate level may be set by one or more financial institutions or by a regional authority.

BRIEF DESCRIPTION OF THE DRAWINGS

Figure 1 is a block diagram illustrating an example system to implement the methodologies described herein; and

Figure 2 is a block diagram illustrating an example method of managing an insurance scheme.

DESCRIPTION OF EMBODIMENTS

The systems and methodologies described herein relate to a system and method of managing an insurance scheme such as a life insurance scheme.

Conventional life insurance schemes operate on the basis that an insured person, referred to as the insured life, pays premiums on a regular basis to the life insurer, specifying a sum assured which is an amount to be paid out on the occurrence of an insured event. For example, on the death of the insured life, a predetermined death benefit is paid to the nominated beneficiaries of the insured life. If the insured life is disabled or suffers a dread disease, a different, lesser amount is paid out.

The method and system will be described with reference to these kinds of schemes but it will be appreciated that the method and system could equally be applied to other types of insurance schemes.

It will also be appreciated that the system and methodology may be implemented by any relevant person or organisation. For example, the system and methodology may be operated by the organisation which operates the life insurance scheme or may be implemented by another associated organisation. In one example the system and methodology may

be implemented by a financial organisation which issues credit cards to its members.

For purposes of illustration, the system and methodology will be described herein as being operated by the managers of a life insurance scheme.

A plurality of life changing events are defined. The plurality of life changing events in the example includes disability, contracting a dread disease or dying as these are typical of the kind of events which are insured by life insurance schemes. However, it will be appreciated that in other contexts these life changing events may be other events such as the birth of a child or changing jobs to name but a few examples.

However, a factor that is not considered in life insurance is the effect that interest rate increases have on the debt of the insured life. Particularly, if the insured life has debt which they are servicing, any increase in interest rates negatively affects their financial position significantly.

Thus, the quantum of insurance purchased in the event of any insurable event may be correct at the inception of the policy but may not be sufficient after interest rate increases.

Referring to Figure 1 of the accompanying Figures, an exemplary system for implementing the above methodologies is shown.

The system includes a server 12 which includes a number of modules to implement the methodologies described herein.

The modules described may be implemented by a machine-readable medium embodying instructions which, when executed by a machine, cause the machine to perform any of the methods described above.

It will be appreciated that embodiments of the present invention are not limited to such architecture, and could equally well find application in a

distributed, or peer-to-peer, architecture system. Thus the modules illustrated could be located on one or more servers operated by one or more institutions.

The system implements a method of managing an insurance policy that includes storing in a memory 10 associated with the server 12 a policy inception interest rate level which is an interest rate level payable on debt of the insured person.

In the accompanying drawings, the memory is illustrated as a database 10. It will be appreciated that the memory could take any other suitable form.

The inception interest rate level can be obtained by determining module 14 accessing an official database or website to obtain this information or by receiving this information via communications network 22.

In any event, the inception interest rate level and the determined interest rate level may be set by one or more financial institutions or may be set by a regional authority such as a government in a country.

In South Africa, the interest rate level is set by the relevant financial institution but is linked to an interest rate set by the South African Reserve Bank and is usually slightly higher than the interest rate set by the Reserve Bank.

In any event, what is important about the interest rate level is that this determines the interest amount payable by the insured person if they have any debt. Therefore, any increase in the interest rate effectively means that the insured person will require more money to service their debt and will have less free money available to finance their living expenses.

In order to protect against this, the method includes determining after the policy inception an interest rate level payable on debt of the insured person at that time.

The interest rate level can again be obtained by determining module 14 accessing an official database or website to obtain this information or by receiving this information via communications network 22.

A comparing module 16 compares the determined interest rate level with the inception interest rate level and if the determined interest rate level is higher than the inception interest rate level then a calculating module 18 calculates a debt protector amount to be paid to the insured person.

On the occurrence of an insured event, a payment module 20 pays the debt protector amount to the insured person or their nominated beneficiary.

In one example, this is implemented by the payment module 20 communicating via a communications network 22 with a server of a financial institution (not shown) and instructing the server of the financial institution to pay the insured person or their nominated beneficiary.

It is envisaged that the methodology will be implemented by periodically determining after the policy inception an interest rate level payable on debt of the insured person at that time. One example of periodically is monthly.

In this example, the determined interest rate level is each time compared with the inception interest rate level and if the determined interest rate level is higher than the inception interest rate level then a debt protector amount to be paid to the insured person is calculated by the calculating module 18.

However, in this example, the calculating module 18 will also add the calculated debt protector amount to any previous periodically calculated debt protector amounts to arrive at a total debt protector amount.

On the occurrence of an insured event the total debt protector amount will be paid to the insured person or their nominated beneficiary.

In a further example embodiment, if the insured person reaches a predetermined age the debt protector amount or total debt protector amount as the case may be is paid out to the insured person or their nominated beneficiary.

An example of the predetermined age may be a retirement age such as 65.

Thus the benefit described essentially implements a fund that pays out at age 65 or on earlier death of the insured person and the funds build up if there are interest rate increases that could impact on the insured persons' financial wealth.

In addition, the compliance of the insured person with a wellness programme may be monitored and may play a part in the calculating of the debt protector amount.

An example of such a wellness program is presently managed by the applicant that manages a traditional life and health insurance plan together with their wellness program disclosed in the applicant's South African granted patent number ZA 99/1746, the contents of which are incorporated herein by reference.

In an example wellness program, members participate in approved related facilities and/or services. For example, members use gymnasiums, Smoke Enders™ and Weighless™.

In one example, members are awarded points and depending on the total number of points allocated to a member, they fall within one of five statuses. In the implementation of the wellness program, these statuses have been named in ascending order of value, blue, bronze, silver, gold and diamond. All members are placed initially in the blue status. Once a member has accumulated a predetermined number of points, his/her status is upgraded to the next appropriate level.

It will be appreciated that for purposes of the present invention the wellness programme could be operated by the insurer or could be operated by a third party that operates the wellness programme and then informs the insurer of the degree of participation of the insured person with the wellness programme.

This could occur by a third party transmitting data to the at least one server 12 operated by the insurer. The data is received at the at least one server and stored in database 10 associated with the at least one server.

In one example the data will include at least an identity of the insured person and data identifying the status of the insured person, for example blue, bronze, silver, gold and diamond.

In order to determine the status, a monitoring of the compliance of the insured person with the wellness programme includes receiving insured person usage information associated with the insured person's usage of the wellness program and determining, based on the usage information, a status level associated with the insured person for the wellness program, wherein the status level indicates a degree of participation in the wellness program

The usage information received may include information associated with a plurality of separate and distinct occurrences of wellness program participation by the insured person.

In addition, the method may further include determining a status level associated with the insured person that further includes receiving the usage information from an information processing system and assigning a given point value to each separate and distinct occurrence of wellness program participation.

A total point value is determined based on an accumulation of each given point value assigned to each separate and distinct occurrence of wellness program participation

The total point value is then compared to a plurality of point ranges, each point range in the plurality of point ranges being associated with a status level and identifying a point range in the plurality of point ranges corresponding to the total point value.

Finally, a status level is assigned that is associated with the point range that has been identified to the at least one employee.

This status level is then used to adjust the amount of the debt protector amount.

One method of implementing the above described methodology is as follows.

The insured person selects between two options. In one example, the first option is 20% of their basic insured amount and the second option is 40% of the basic insured amount.

Using the second option as an illustrative example and using a basic insured amount of R1,000,000 for illustrative purposes, since in this example the insured person has selected the 40% option of a R1,000,000 basic fund, this equates to an amount of R400,000. 3% of R400,000 is equal to R12,000 and this is assumed to be the notional monthly debt instalment that the insured person is required to pay.

An increase in interest rate levels then uses this notional monthly debt instalment as follows:

Increase in	Percentage of	Example of monthly	Example of monthly

prime interest rate	insured instalment paid	benefit of 20% on R1m Life Fund	benefit of 40% on R1m Life Fund
<= 0.5%	0%	-	-
[0.5%, 1.5%)	4%	240	480
[1.5%, 2.5%)	8%	480	960
[2.5%, 3.5%)	12%	720	1,440
[3.5%, 4.5%)	16%	960	1,920
[4.5%, 5.5%)	22%	1,320	2,640
[5.5%, 6.5%)	26%	1,560	3,120
[6.5%, 7.5%)	30%	1,800	3,600
[7.5%, 8.5%)	35%	2,100	4,200
[8.5%, 9.5%)	40%	2,400	4,800
[9.5%, 10%)	45%	2,700	5,400
>= 10%	50%	3,000	6,000
Max Total Accumulation		36,000	72,000

Thus, if the interest rate increases by 1% in a given month then R480 will be the calculated amount payable to the insured person for that month.

A record of this amount will be stored in the memory 10 and as each month goes by, if the interest rate is higher than the starting interest rate a further amount will be added to this amount and the total will grow.

The last row in the table indicates a maximum total accumulation which is an upper limit for this benefit.

As discussed above, in another example, the debt protector amount can be linked to the compliance of the insured person with the wellness program described above so that the better the compliance with the wellness program the larger the debt protector amount.

CLAIMS:

1. A method of managing an insurance policy including:

storing in a memory a policy inception interest rate level which is an interest rate level payable on debt of the insured person;

determining after the policy inception an interest rate level payable on debt of the insured person at that time;

comparing the determined interest rate level with the inception interest rate level;

if the determined interest rate level is higher than the inception interest rate level then calculating a debt protector amount to be paid to the insured person; and

on the occurrence of an insured event paying the debt protector amount to the insured person or their nominated beneficiary.

2. A method according to claim 1 further including:

periodically determining after the policy inception an interest rate level payable on debt of the insured person at that time;

comparing the determined interest rate level with the inception interest rate level;

if the determined interest rate level is higher than the inception interest rate level then calculating a debt protector amount to be paid to the insured person;

adding the calculated debt protector amount to any previous periodically calculated debt protector amounts to arrive at a total debt protector amount; and

on the occurrence of an insured event paying the total debt protector amount to the insured person or their nominated beneficiary.

3. A method according to claim 1 wherein if the insured person reaches a predetermined age the debt protector amount is paid out to the insured person or their nominated beneficiary.

4. A method according to claim 2 wherein if the insured person reaches a predetermined age the total debt protector amount is paid out to the insured person or their nominated beneficiary.

5. A method according to any preceding claim wherein the inception interest rate level and the determined interest rate level are set by one or more financial institutions.

6. A method according to any of claims 1 to 5 wherein the inception interest rate level and the determined interest rate level are set by a regional authority.

7. A system for managing an insurance policy, the system including:

a memory for storing a policy inception interest rate level which is an interest rate level payable on debt of the insured person;

an interest rate determining module to determine after the policy inception an interest rate level payable on debt of the insured person at that time;

a comparator module to compare the determined interest rate level with the inception interest rate level;

a calculating module to calculate a debt protector amount to be paid to the insured person if the determined interest rate level is higher than the inception interest rate level; and

a payment module to pay the debt protector amount to the insured person or their nominated beneficiary on the occurrence of an insured event

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8. A system according to claim 7 further including:

the interest rate determining module periodically determining after the policy inception an interest rate level payable on debt of the insured person at that time;

the comparator module comparing the determined interest rate level with the inception interest rate level;

calculating module calculating a debt protector amount to be paid to the insured person if the determined interest rate level is higher than the inception interest rate level and adding the calculated debt protector amount to any previous periodically calculated debt protector amounts to arrive at a total debt protector amount; and

the payment module on the occurrence of an insured event paying the total debt protector amount to the insured person or their nominated beneficiary.

9. A system according to claim 7 wherein if the insured person reaches a predetermined age the payment module pays the debt

protector amount to the insured person or their nominated beneficiary.

10. A system according to claim 7 wherein if the insured person reaches a predetermined age the payment module pays the total debt protector amount to the insured person or their nominated beneficiary.

11. A system according to any of claims 7 to 10 wherein the inception interest rate level and the determined interest rate level are set by one or more financial institutions.

12. A system according to any of claims 7 to 11 wherein the inception interest rate level and the determined interest rate level are set by a regional authority.