



Two worlds.  
One future.

# OFFSHORE LIFE INSURANCE

## Dollar Research Paper

South Africans now have the opportunity to approach risk protection similarly to investments, considering the increasing interconnectedness of the world and the need to protect wealth and legacies in global currency. The 10-year anniversary of Discovery Life's Dollar Life Plan is an opportunity to reflect on the trends and growing demand for offshore risk plans, and to provide evidence for the benefits of diversifying life insurance to manage global liabilities and meet international obligations effectively.



# Note from **the CEO**

South Africa is an open economy that's become more globalised in the past two decades. So, when people invest, they often diversify investments with offshore exposure to take advantage of the opportunities beyond our borders. Local investors don't limit themselves only to stocks on the JSE or industries in South Africa. They scout for the best possible returns, wherever in the world those may be.

Ten years ago, Discovery Life saw an opportunity to do the same for risk planning to meet many needs. The first is that many South Africans have financial ties to other countries, through family members, business ventures and work opportunities.

Second, and more importantly, is the need for risk cover that doesn't fluctuate in buying power with the South African rand (ZAR). This provides a hedge against exogenous events that affect exchange rates and against potential future costs and liabilities that move in line with global markets.

Another factor is parents, especially those with younger children, who are concerned that if something happened to them and they received a payout today, would it be enough for their children to start exploring the world years later?

This is why, it's becoming more and more important that all South Africans consider offshore protection in their life insurance portfolio to accommodate their potential future global needs and movements, as well as to hedge their protection to maintain a stable global value.





# Executive summary

*South Africans now have an opportunity to approach risk protection in the same way they do investments. Traditionally, people planned risk cover under local portfolios, despite many having offshore liabilities and responsibilities, including business ventures and children studying abroad. With the world becoming more connected, and the opportunities available to protect wealth and legacies in global currency, it's worth considering a shift in mindset.*

2024 marks the 10-year anniversary of the Dollar Life Plan offered by Discovery Life International, which presents an opportune time to examine the growing demand for offshore risk plans. Through detailed analysis and supporting statistics, Discovery Life International provides evidence in favour of offshore risk planning and diversifying life insurance.

South Africans increasingly embrace opportunities abroad, while maintaining connections to their home country, and often return to South Africa while continuing international engagements. This global approach necessitates currency-matching and hedging solutions. A Dollar Life Plan helps manage global liabilities, often complemented by a local plan.

**Notably, 67% of Dollar Life Plan policyholders also hold local policies<sup>23</sup>.**

We delve into the growth of genuine offshore risk protection, including the number of advisers selling Dollar policies — to date **1,190 advisers have sold the Dollar Life Plan<sup>23</sup>**. The increasing trend in the proportion of Dollar Life Plan premium income shows that the Dollar Life Plan will soon make up 10% of Discovery Life's total annual premium income. We also highlight accessibility of the product through an analysis of the spectrum of premiums that clients currently pay, where a significant portion of Dollar Life Plan clients pay premiums below \$100<sup>23</sup>.

Additionally, we analyse the growing need for specialised treatments and technology and the associated costs, which increase by medical inflation each year and are best matched to the US dollar.

Lastly, with roughly 12,000 South African students studying overseas each year<sup>1</sup>, and with this number increasing, we consider the growing need for international education and the associated costs.

For each of these needs, we outline the ways in which an offshore risk protection plan can assist in mitigating the risks.





# THE IMPORTANCE OF A GLOBAL MINDSET IN **FINANCIAL PLANNING**

Globally, it is common practice to diversify investment plans. This is also true for South Africans who wish to hedge against currency fluctuations and who wish to experience more stable returns across various markets and investment products.

While investing is a means to accumulating wealth, life insurance means that people can weather a financial storm due to life-changing events such as a severe illness or disability, the inability to work or even death. In the case of these life-changing events, a well-structured life insurance policy can assist in providing financial protection, so that finances are one less thing to worry about during these challenging times.

However, most South Africans are still only considering risk protection plans in a single, local currency. This is largely due to a lack of awareness around the possibilities of diversifying life insurance. Discovery Life International's Dollar Life Plan is South Africa's only authentic offshore life insurance policy, and since its introduction in 2014, has seen significant growth in the number of policies sold, and hence the number of clients considering offshore risk protection.



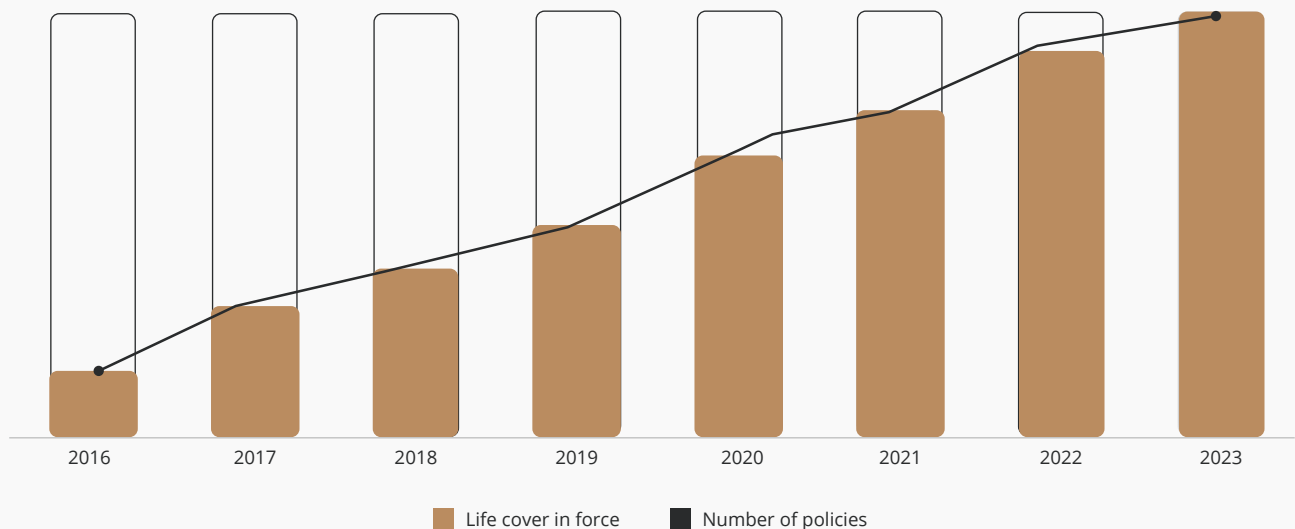
# Advice increasingly includes offshore risk planning

With the Dollar Life Plan being the only authentic offshore risk protection solution in the South African market, it has seen significant growth in appeal over the last decade. Being a largely advice-driven industry, it is fascinating to observe the upward trend in the number of financial advisers relying on this product for their clients' offshore financial planning needs. **From just a handful of advisers in 2014, the number has grown to 1,190 advisers countrywide using this offshore plan** as part of their risk planning approach for their clients<sup>23</sup>.

The average increase in premium income from this line of business has averaged over 20% growth per year. When comparing the first five years of the business to the second five years, premium volumes have more than doubled as the majority of clients maintain their policies and more clients access this unique offering<sup>23</sup>. This highlights two key trends: a growing number of South Africans are considering offshore planning, and clients are consistently having a larger proportion of their cover in US dollars.

Based on current annual premium increase growth the expectation is that Dollar Life Plans will generate 10% of the total book's annual premium income by 2025<sup>23</sup>.

**Figure 1. below shows the growing trend in the diversification of cover over time, represented by the increase in total policies and cover over time**





# OFFSHORE RISK PROTECTION IS THE IDEAL SOLUTION FOR A MULTITUDE OF SOUTH AFRICAN NEEDS

There are many factors which could result in life insurance consumers considering an offshore risk protection solution. While some needs may be more applicable to certain individuals, it is clear that South Africans should assess their need for life insurance, and that they should consider holding at least part of their risk protection in offshore currency.

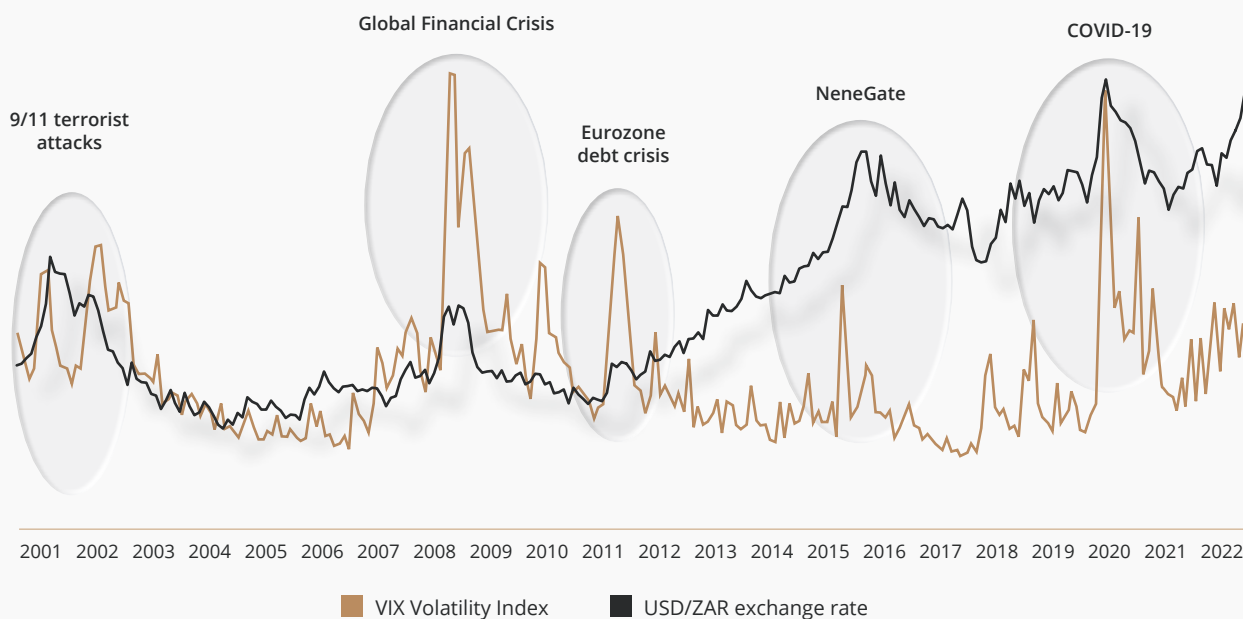


# Diversification of **risk protection**

Diversifying risk protection by taking out an offshore life insurance policy which is denominated in US dollars can help to safeguard against fluctuations in the rand-dollar exchange rate. Having risk cover denominated in US dollars can be used as a powerful tool to hedge against domestic economic volatility and currency fluctuations, and clients can mitigate the risk of losing buying power and preserve the value of their wealth in times of economic instability. The importance of diversification of cover cannot be understated, given the complete uncertainty of the occurrence and timing of a life-changing event.

Volatility is also often caused by exogenous events. Historically, global events sparking worldwide unpredictability have caused depreciation in the rand-dollar exchange rate, as global investors move from the riskier emerging market economies to low-risk, safe-haven investments in developed markets.

**Figure 2 below shows the volatility of the US dollar-rand exchange rate and the corresponding Volatility Index, overlaid with key global and local shocks.**



It is clear from internal data that diversification is a key consideration for clients who choose to purchase a Dollar Life Plan, with two in three Dollar Life Plan clients having both a local and offshore life plan with Discovery. Where these clients have both a local and Dollar Life Plan, on average 40% of their cover is held in offshore protection<sup>23</sup>.

In the ten years to January 2024, the US dollar strengthened by a cumulative 68% against the rand. This is significant movement for anyone with an investment or a potential insurance claim that will pay out decades down the line. If purchasing power parity holds, based on both countries' CPI growth rates, one would have expected the US dollar to have only appreciated 25% over this period. As a result of the US dollar's greater-than-expected appreciation against the rand, somebody who took out a Dollar Life Plan when it was first offered, and who claimed in 2024, would have had an effective 35% boost in their payout compared to local plans<sup>2</sup>.

Assuming that is not the norm and purchasing power parity holds, it is expected that the real value of rand and dollar risk protection should be equal in the long run. However, it is also expected that there will be fluctuations around this. Historically, this can be seen through major changes in exchange rates which coincide with external factors out of any individual's control.

Hence, diversification should be an important consideration for any South African considering life insurance. Take, for example, a parent who has life insurance in place to support their children and continue to give them experiences like traveling abroad if they are no longer around. Or, for example, a person who wishes to secure themselves financially for any illness they might face in the future. While life insurance serves to protect in these instances, a currency consideration is crucial to make sure that the buying power of your life insurance payout remains relevant.

While many might think that diversification is for a select group of individuals who can afford to do so, having an offshore life insurance product is the most accessible way to diversify a financial plan. Discovery Life's unique Shared-value model also plays out in the offshore risk protection space. Through various features like PayBacks and the Cash Conversions benefit, clients are able to diversify their financial plan and create an offshore nest egg through engagement in health and wellness.

# Globalisation trends suggest that one should plan now for global possibilities

Globalisation continues at a rapid pace, making international exposure easier to achieve, but also more important to manage. The Konjunkturforschungsstelle (KOF) Globalisation Index measures a country's level of globalisation across economic, social and political dimensions. South Africa is in the top 30% of countries worldwide according to these rankings<sup>3</sup>, indicating that it is a significant global player, especially as a developing country.

Globally, markets continue to undergo rapid expansion, fuelled by advancements in technology, transportation and communication. One significant aspect of this expansion is the increasing integration of global markets, facilitated by the ease of conducting cross-border transactions and the proliferation of multinational corporations. According to the World Trade Organization (WTO), global trade volumes have been steadily increasing, indicating greater integration of markets. In 2023, the WTO noted that merchandise trade volumes grew by 10.9% year-on-year<sup>4</sup>.

The rise of digital platforms and e-commerce has further accelerated the flow of goods, services and capital across national boundaries. Additionally, the globalisation of production processes, characterised by supply chains spanning multiple countries, has become common in various industries. With the dollar serving as the predominant medium of exchange in international trade and finance, its role has been reinforced by the expansion of globalisation. As a result, the stability and strength of the dollar hold significant influence over global economic dynamics, making it central to the increasingly interconnected and interdependent global economy.

In an era of globalisation, individuals, families and businesses must consider both their local and offshore aspirations.

With South Africans exploring global frontiers through education, business ventures or retirement options, careful planning is required from a life insurance perspective.

According to Stats SA's Migration Profile Report, in 2020, there were more than 914,000 South African citizens living abroad - 18% of them in Northern America and 39% in Europe<sup>5</sup>.

The other development that has increased fluidity of migration is the growth of remote working opportunities, which now gives local talent the option to work for global firms without leaving South Africa and without having to pay the high cost of living in developed countries. This adds to the heightened need for risk protection in US dollar, since it is a universally used currency.



In an increasingly globalised world, **dollar-denominated life insurance uses the R1 million Single Discretionary Allowance (SDA)** to offer substantial benefits for South Africans.

With South Africans being so mobile, it is possible that they might not be able to access their SDA in the future, because they have given up tax residency.

The Dollar Life plan is flexible enough to accept direct payment from offshore in US dollars as an annual premium.

These policies provide the flexibility to **receive payouts anywhere in the world**, not just the USA, ensuring financial support regardless of location. Additionally, dollar-denominated policies help policyholders avoid foreign exchange complications at the time of payment, ensuring that they receive the full value of their payout without the risk of currency fluctuations or foreign exchange complications. By securing payouts in a stable currency, South Africans can safeguard their financial interests and navigate international obligations with greater confidence and ease.



# Medical needs matching

## Medical treatments

With many medicines and cutting-edge medical technologies yet to reach South Africa, the number of South Africans seeking cross-border medical treatment has increased, especially for conditions like cancer. According to a report published by CancerAlliance and Fix The Patent Laws, there are 24 life-saving cancer medicines. Despite 10 of these medicines being on the WHO Essential Medicines List, only four of them are considered essential in South Africa<sup>6</sup>.

According to the Independent Clinical Oncology Network in South Africa, local treatment can cost anywhere between R10,000 and R1 million per year<sup>7</sup>. Drug prices have been increasing, far outpacing inflation, according to a recent report prepared for the American Hospital Association by Healthspieren, a public health consultancy. While inflation was approximately 6.4 percent from January 2022 to 2023, the average price of cancer drugs increased by 15.2 percent in 2023 and 32 percent the year prior<sup>8</sup>. These increases in costs can be attributed to new and innovative cancer treatments, which are predominantly being explored abroad.

Technology is also advancing and with more than half of cancer patients requiring radiation therapy, there are several state-of-the-art radiation units that provide newer techniques in radiation treatment. These allow for accurate, concentrated doses of radiation to be delivered in shorter treatment sessions, with potentially fewer side effects.

Currently, there are a few machines of this kind in South Africa, and there is a multimillion-rand price tag in setting up each unit<sup>9</sup>.

Another instance of medical costs being related to overseas costing is surgical procedures, such as robotic surgeries. "This technology gives surgeons finer hand control, making it possible for them to perform highly intricate and minimally invasive surgeries. A single robotic surgical system costs approximately R21 million. The cost of a procedure using the robot is significantly higher than conventional surgery"<sup>9</sup>. These robots, such as the Da Vinci robot, are manufactured in the USA. This exposes clients, who could benefit from these surgical procedures, to much higher costs than what a local medical aid plan could cover.

In some cases, a person may have a disease or condition for which the medicine or medical technology is available in South Africa, but is sourced from another country. Some of these treatments come at a high cost so access is heavily determined by how much your currency can buy.

There is also a growing trend towards medical specialisations. The American Board of Medical Specialties recognises nearly 130 specialities and subspecialities, showing a preference for more focused medical expertise<sup>10</sup>. On top of this, a report by McKinsey found that the growth in revenue of medical technology companies has averaged approximately US inflation plus 2.5% between 2018 and 2024<sup>11</sup>, driven by advancements in medical innovation and an increasing prevalence of complex diseases.

Therefore, South Africans might need to factor in currency fluctuations in the costs of these medicines and treatments, and a payout from a life insurance policy, which is in US dollars, can go a long way in matching these costs.



Discovery Life International's Dollar Severe Illness Benefit pays out in dollars, which helps clients access cutting-edge treatment, whether in South Africa or abroad. It covers all major body systems and pays out if a client is diagnosed with one of the over 200 conditions covered. The Dollar Life Plan offers the LifeTime Severe Illness Benefit, which provides clients with a minimum payout of 100% for all qualifying heart attacks, cancers and strokes, and will pay out up to 215% of the insured amount based on the long-term impact of the illness and the client's family composition at that point in time.

The Dollar Severe Illness Benefit also includes the Cancer Exome Sequencing Benefit, which identifies cancer variants across a wide range of applications. It provides a payout to assist in funding the costs of sequencing certain high-risk tumours, to determine the optimal treatment regime. In addition, the Dollar Severe Illness Benefit includes the Global Treatment Benefit, which helps clients get the best treatment globally through international healthcare facilities. Clients can get up to 250% of their benefit if they choose to use an overseas treatment facility, at no extra cost.



## CASE STUDY

### Lionel's experience

A 62-year-old was insured with a Dollar Life Plan with the Severe Illness Benefit (including the Global Treatment Benefit) and the Capital Disability Benefit. He was diagnosed with respiratory failure.

Under the **Global Treatment Benefit**, he was treated overseas and received a payout of over **\$1.1 million** from Discovery Life International.

This benefit meant he was able to receive the best global treatment for his condition and was covered for an effective rand amount of over **R21 million**.

Due to his **comprehensive cover**, including other local Life Plans, Lionel also received additional Capital Disability payments effectively worth over **R44 million**.



Assuming an exchange rate of R19/\$

## Medical devices

According to the Public Broadcasting Service (PBS) and the Amputee Coalition in America, "one in every 190 Americans currently lives with a lost limb." Around 15% of people with amputations are cancer survivors or trauma victims – these are the types of patients who would benefit from high-tech prostheses, such as a myoelectric arm, which is "a design that uses a person's own muscle contractions in the residual limb to control the device"<sup>12</sup>. More than 76% of medical devices in the South African market are imported<sup>13</sup>, so the cost of this technology is high; according to PBS, it can be as much as \$100,000 for the myoelectric arm<sup>12</sup>.

However, this is just one example. Consider artificial organs, exosuits and home adaptations for those with disabilities – in 2023, 21 of the 40 biggest medical technology companies by market cap were listed on US-based stock exchanges<sup>14</sup>.



Discovery Life International's Dollar Capital Disability benefit pays out a lump-sum, in dollars, if the client becomes disabled, to assist with the financial consequences of becoming disabled. This benefit helps to ensure that the expenses of the acquisition and maintenance of specialist, mostly imported, medical equipment remain manageable, regardless of exchange rate fluctuations.

Attached to the Dollar LifeTime Capital Disability Benefit option, the MedTech Booster Benefit provides enhanced payments with the aim of assisting clients in accessing cutting-edge assistive medical devices or to help them adjust to a new lifestyle. The MedTech Booster payments are made as an upfront payment, as well as ongoing payments which are payable every three years, to assist with the costs of the ongoing maintenance of the technology.

Discovery Life has seen an increase in the take-up of the LifeTime Capital Disability Benefit on Dollar plans compared to local plans – **with 27% of the Dollar Capital Disability Benefit book having the LifeTime benefit option, which is over double that of local Life Plans**<sup>23</sup>.



# International education

Data from the UNESCO Institute of Statistics shows that there were **at least 12,000 South African students studying abroad every year** in the past five years<sup>1</sup>. Some of the reasons include oversubscription of local universities and the benefits of gaining cultural intelligence and expanding networks<sup>15</sup>. In many households, the cost of education is significant and is expected to continue to increase in the future at a rate higher than CPI. In South Africa, according to the South African Reserve Bank, education inflation is normally about 2.6% above inflation each year<sup>16</sup>. Similarly, in the US, “from 2000 to 2022, the average annual tuition inflation was 4.8% at public four-year colleges. Over the same period, the consumer price index only rose by about 1.9% yearly on average<sup>17</sup>”.

When considering the high costs of education abroad, an overseas education can be beyond what some parents can afford to plan for. The top three universities in the 2024 Times

Higher Education World University Rankings – University of Oxford, Stanford University and Massachusetts Institute of Technology (MIT)<sup>18</sup> – cost multiples of what top local universities charge. The top local university in the Times Higher Education World University Rankings is the University of Cape Town. First-year undergraduate fees for 2024 range from R40,000 to R102,470, depending on the course. This is in comparison to the University of Oxford’s average undergraduate **tuition fees for overseas students**, which is between £33,050 and £48,620 for the 2024/25 academic year<sup>19</sup>. Stanford University’s tuition fees currently stand at **\$65,127** for the 2024/25 academic year<sup>20</sup>, and MIT charges an average of **\$30,995**<sup>21</sup>. These amounts only cover tuition and exclude the costs for housing, food and other related student expenses.



The Global Education Protector has been designed to provide protection for the costs of a child’s education, from creche to tertiary education, in the event that a parent passes away or suffers a severe illness or disability.

Some clients have sought dollar-denominated investments and risk cover because they have international education goals for their children.

Discovery Life designed the **Global Education Protector (GEP)** and the **Dollar Global Education Protector** to meet the need of South Africans wanting to protect the educational aspirations of their children. The local versions pay out an amount which matches the actual costs of the child’s education (up to a maximum). The Dollar version recognises the additional costs of top local private schools and the higher cost of international education, which is why it was designed with higher maximums than the local options and always pays out at its maximum. Each year, the tuition maximums offered under the benefit are increased in line with education inflation, keeping the benefit relevant and in line with education costs.


It is difficult for many parents to plan for these fees even while they are still alive and healthy. But it could become impossible after suffering a life-changing event, like a disability or severe illness. These benefits allow South African parents to lay the financial foundation for a local or international education for their children.

Below is a snapshot of claims Discovery Life has paid under the Global Education Protector, and a breakdown of the beneficiaries' current age. Discovery Life has paid out claims covering the education of nearly 600 children. Based on the current claims alone, it expects to pay out R527 million to fund the whole education journey of these beneficiaries, as 80% of them are still below the age of 15<sup>23</sup>.

### GLOBAL EDUCATION PROTECTION CLAIMS INSIGHTS


---

**Education currently protected**




34,714

Children currently covered on individual policies




R527 million

Expected education cost for those currently claiming



598

Children currently receiving payouts on individual policies



R69 million

Paid in total under the Global Education Protector in 2023

**Figure 3 below shows the growth in Global Education Protector claims over time and Figure 4 shows the distribution of age of the children receiving claims under the benefit (from Discovery Life's 2023 Annual Claims Experience for the Global Education Protector).**

**Figure 3: Growth in Global Education Protector claims over time**

Year	Claim Count
2018	315
2019	435
2020	375
2021	555
2022	545
2023	645

**Figure 4: Distribution of age of the children receiving claims under the benefit (from Discovery Life's 2023 Annual Claims Experience for the Global Education Protector)**

Age Group	Claim Count
0 - 4	100
5 - 9	195
10 - 14	175
15 - 19	105
20 - 24	25
>24	10

### Shared-value within the Global Education Protector through the automatic University Funder Benefit

Notably, through the University Funder Benefit (on the local options) and the College Funder Benefit (on the Dollar option), by managing their health and wellness, parents (the clients) can fund up to 100% of their child's tertiary tuition fees, even if the parent is still alive and has not experienced a life-changing event. It is expected that this Shared-value benefit will fund R2.9 billion in in tertiary education costs over the next 21 years<sup>23</sup>.

12 OFFSHORE LIFE INSURANCE



# Offshore **liabilities**

If you have, or could in the future have, offshore liabilities – such as a bond, children's education costs or estate duty in a foreign country – having risk protection that is denominated in US dollars is critical to ensure that your liabilities are matched. For example, South Africans who have taken out loans or mortgages in foreign currencies can ensure that their debt obligations are met, without being affected by currency fluctuations. Similarly, funding a child's education abroad can be secured through a dollar-denominated policy, mitigating the risk of increased costs due to currency fluctuations at the time of payment or in the long-run. Additionally, if you hold assets in countries like the USA or the UK, you may face potential situs tax obligations on your death.



A dollar-based life insurance policy can cover these tax liabilities, ensuring that your estate is not unduly burdened. Overall, a dollar-denominated life insurance policy provides a reliable financial safeguard against the uncertainties of currency fluctuations as well as international tax obligations. In addition, an offshore trust can be added as a beneficiary of the policy, so that the proceeds are used for the exact intended purpose.

## Business **needs**

Business life insurance policies are crucial for maintaining financial stability and continuity within a business if a key stakeholder within the business is affected by a life-changing event. Policies such as buy-sell agreements make sure that, in the event of a business owner's death, the remaining partners can buy out the deceased's share without financial strain, using a pre-determined value. Contingent liability insurance protects businesses against unexpected debt obligations that may arise from the death of a key individual. Key person insurance provides financial cushioning by covering the potential loss of revenue and the costs associated with finding and training a replacement for a vital employee. When denominated in a stable currency like the US dollar, these policies can provide reliability and predictability in financial planning and international business operations.



For everyone to benefit from the value of offshore risk protection, the Dollar Life Plan is available to cover business risk needs. Offshore trusts, business partners and offshore companies can own a Dollar Life Plan. This lets them cater for business assurance needs, such as buy-and-sell, key person and contingent liability structures, with the ability to pay from an offshore account in US dollars.

# TYPICAL HURDLES TO **OFFSHORE FINANCIAL PLANNING**

There are misconceptions relating to offshore financial planning and risk protection that mean it has not been mainstream in the past. There are certain administrative considerations when setting up an offshore financial plan, to cater for both local and offshore needs, and there are a myriad possibilities on where life could take someone.





## Administrative constraints

There could be concerns around the administration required to take out an offshore insurance policy. It would take time to fully understand the different jurisdictions, so that an individual can comply with the local laws and the laws of the jurisdiction in which the policy will be held. Managing the transfer of funds offshore for premium payments, and ensuring ongoing compliance with changing regulations, all adds to the administrative burden.



Discovery Life International helps with much of the administration that comes with taking out offshore risk cover, such as reporting on the single discretionary allowance (SDA), which allows South African tax residents to take up to R1 million offshore each year without South African Reserve Bank clearance. All the reporting is done on the client's behalf.

## Accessibility to offshore financial planning

With offshore investing, it is often a requirement to have a large capital amount to meet the minimum investment levels.



Offshore risk protection is possibly one of the most affordable methods of diversifying one's financial plan.

**With a minimum monthly premium of \$50 (equivalent to R900 per month, assuming an exchange rate of R18/\$),** a South African can enter the world of offshore financial planning. Discovery Life's average premium for new local and offshore policies in the 2023 financial year was R1,750 per month. So it is clear that the average consumer looking to purchase life insurance, can in fact consider a Dollar Life Plan<sup>23</sup>.

Currently, nearly **30% of Dollar Life Plan policies have a monthly premium of less than \$100 (equivalent to R1,800 per month, assuming an exchange rate of R18/\$).** Another 25% of Dollar Life Plan clients pay less than \$200 per month (equivalent to R3,600 per month, assuming an exchange rate of R18/\$)<sup>23</sup>.

## Volatility of currency and long-term affordability remain concerns for those considering offshore financial planning

This paper has discussed the value of diversifying cover through dollar-denominated benefits to maintain its global value. However, the dollar-based premium payable for this cover can also fluctuate in rand terms when the exchange rates move. The effect of this is twofold. Firstly, it can result in affordability constraints during periods of dollar strength. Secondly, it could be difficult to budget and plan for the future when the cost of an offshore life insurance policy changes each month.



Discovery Life has looked to solve the issue of monthly volatility in premiums for our clients by developing the Exchange Rate Protector feature. This benefit allows clients to purchase long-term exchange rate certainty by locking in the rand-dollar exchange rate in three-yearly periods.

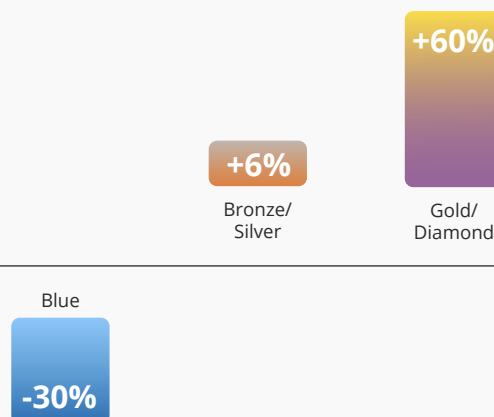
Clients get discounted, locked-in exchange rates every three years, for the first nine years. Each locked-in exchange rate will have a 15% discount to the prevailing exchange rate applicable at the beginning of the three-year period. After nine years, clients will continue to get locked-in exchange rates every three years based on the exchange rate at the time. This means clients get whole-of-life exchange rate protection for the remainder of their policy, with locked-in rates every three years, providing ongoing sustainability after year nine of the policy. To date, clients have enjoyed premium savings of 25% of Dollar Life Plan premiums through exchange rate protection benefits.

It's also important to note that the most engaged Vitality members have experienced lower health risk, compared to non-Vitality members, because of the healthy behaviours they adopt through the programme. This has led to a significant increase in their life expectancies, with engaged Vitality members living longer, healthier lives. A typical 40-year-old Vitality member on a Gold or Diamond Vitality status has a life expectancy of 89 years, compared to 67 years for the insured population in South Africa<sup>22</sup>.

Through the Discovery Shared-value model, Discovery Life clients who engage in Vitality can experience considerable value derived from engagement in their health and wellness. This is no different for Dollar Life Plan clients, who are also able to access the PayBack benefit and the Cash Conversion benefit. Through the PayBack benefit on the Dollar Life Plan, clients can get up to 50% of their qualifying premiums back every five years – the PayBacks that clients receive are paid out in dollars into an offshore bank account. The Cash Conversion benefit on the Dollar Life Plan allows clients to monetise their health and wellness management, and to supplement their retirement funding offshore in dollars, and hence diversify their retirement funding.

If we consider the Vitality status distributions between Discovery Life's full life book and the Dollar Life Plan book, we tend to see Dollar Life Plan policyholders being the most engaged of Discovery Life's clients, with the dollar book having a much higher proportion of Gold and Diamond clients when compared to local life plans.

**Figure 5 shows the distribution of Vitality statuses for Dollar Life Plan clients versus local Life Plan clients.**



Through our unique Shared-value model, these clients have diversified their Shared-value by selecting the Dollar Life Plan. With access to Vitality, Dollar Life Plan clients are expected to receive over \$56 million (nearly R1.04 billion) in the future through the Cash Conversion benefit. In addition to this, there is \$65.8 million accumulated in PayBack funds that will be paid out in the coming years.

For example, take a 45-year-old male who takes out comprehensive cover on a Dollar Life Plan with \$100,000 death cover combined with \$33,000 in illness, as well as disability protection. He can add exchange rate protection and the Cash Conversion for a total policy premium of \$85 per month.

If he manages his health and wellness and achieves Diamond Vitality status over the term of the policy, by the time he gets to age 65, he will have Cash Conversion payouts totalling over \$80,000, as well as premium PayBacks which yield an additional \$10,000. Over the term of the policy up to age 65, he will have paid R3.3 million in premiums and receive a rand-equivalent of R2.75 million in payouts for engaging with his health and wellness. Hence, 83% of the premiums are covered through the value given back to the client, all while he keeps important risk protection in place.

It is evident that South Africans can combine two of Discovery Life's unique and powerful features, Shared-value and a Dollar Life Plan, to diversify their financial planning. This is possibly one of the most cost-effective ways to start building an offshore nest egg.



# CONCLUSION

The importance of offshore life insurance and comprehensive financial planning is underscored by several critical factors. Adopting a global mindset in financial planning is essential in today's interconnected world, enabling individuals to effectively manage and protect their wealth. Diversification of risk protection through offshore life insurance provides a strategic buffer against the uncertainties of global financial markets, ensuring that both local and international liabilities are adequately covered. This is important in a world that is becoming more global, requiring individuals to plan proactively for global possibilities.

The rising need to match medical expenses, which are best addressed in stable currencies like the US dollar, highlights the importance of securing offshore life insurance to cover the possible need for high and escalating medical costs. Similarly, the growing desire for international education, with thousands of South African students studying abroad each year, necessitates financial solutions that can support these aspirations without being affected by currency fluctuations.

Moreover, managing offshore liabilities, whether through property investments, business ventures or estate planning, requires smart financial planning to mitigate potential risks. Business needs, especially for those operating or investing internationally, are best supported by financial products that offer global coverage and protection.

In essence, offshore life insurance not only provides a safety net for current obligations but also facilitates the long-term financial security and peace of mind necessary in an increasingly globalised landscape. Hence, proactive planning and the diversification of risk protection are crucial steps towards ensuring a resilient financial future.



# Sources/References

- 01 | UNESCO Institute of Statistics: <https://data.uis.unesco.org/index.aspx?queryid=3807>
- 02 | Internal analysis based on data provided by the Bureau of Labour Statistics, Stats SA and Investing.com
- 03 | KOF Swiss Economic Institute 2023: [https://ethz.ch/content/dam/ethz/special-interest/dual/kof-dam/documents/Globalization/2023/KOFGI\\_2023\\_ranking.xlsx](https://ethz.ch/content/dam/ethz/special-interest/dual/kof-dam/documents/Globalization/2023/KOFGI_2023_ranking.xlsx)
- 04 | World Trade Organisation 889 press release: [https://www.wto.org/english/news\\_e/pres21\\_e/pr889\\_e.htm](https://www.wto.org/english/news_e/pres21_e/pr889_e.htm)
- 05 | StatsSA's Migration Profile Report: <https://www.statssa.gov.za/publications/03-09-17/03-09-172023.pdf>
- 06 | <https://canceralliance.org.za/access-to-medicine/>
- 07 | Independent Clinical Oncology Network in South Africa (ICON) research
- 08 | <https://www.aha.org/system/files/media/file/2024/03/The-340B-Drug-Pricing-Program.pdf>
- 09 | <https://www.discovery.co.za/corporate/understand-cancer-costs-of-cancer>
- 10 | American Board of Medical Specialities: <https://www.certificationmatters.org/boards/#:~:text=The%20American%20Board%20of%20Medical,of%20conditions%20they%20commonly%20treat.>
- 11 | Medtech industry trends in 2024 and beyond | McKinsey: <https://www.mckinsey.com/industries/life-sciences/our-insights/what-to-expect-from-medtech-in-2024>
- 12 | Public Broadcasting Service and Amputee Coalition: <https://www.pbs.org/wgbh/nova/article/durable-prostheses/>
- 13 | <https://www.investsa.gov.za/wp-content/uploads/2022/04/SAMRCMedicalDeviceLandscapeReport2022-003.pdf>
- 14 | Internal Discovery Life analysis based on Medical Device and Diagnostic Industry report on Top 40 Medical Device Companies: <https://www.mddionline.com/business/top-40-medical-device-companies>
- 15 | <https://www.aacsb.edu/insights/articles/2024/03/the-benefits-of-international-study>
- 16 | <https://www.allangray.co.za/latest-insights/personal-investing/investing-for-education-in-an-inflationary-environment/#:~:text=This%20is%20not%20unusual%2C%20with,this%20packs%20an%20extra%20punch.>
- 17 | <https://www.bestcolleges.com/research/college-tuition-inflation-statistics/#:~:text=From%202000%2D2022%2C%20the%20average,at%20public%20four%2Dyear%20colleges.&text=Over%20the%20same%20period%2C%20the,rose%20by%202.1%25%20per%20year.>
- 18 | The Times Higher Education World University Rankings: <https://www.timeshighereducation.com/world-university-rankings/2024/world-ranking>
- 19 | <https://www.ox.ac.uk/admissions/undergraduate/fees-and-funding/course-fees>
- 20 | <https://financialaid.stanford.edu/undergrad/budget/index.html>
- 21 | <https://registrar.mit.edu/registration-academics/tuition-fees/undergraduate>
- 22 | <https://www.discovery.co.za/vitality/what-is-vitality>
- 23 | Internal Discovery Life research

