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## Futureproof in talks with major insurers over its retirement funding disruptor

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Insurtech Australia member Futureproof says it is talking with several large insurers about initial product issuance for its home equity release innovation Equity Preservation Mortgage, an alternative to reverse mortgages which it says are “inherently defective in their design”.

Futureproof says it can monetise home equity into a tax-free annuity income, or fund-embedded insurance products, over 15-30 year terms. A \$1 million house could generate a \$36,000 tax free annuity and there is no depletion of home equity.

Its Equity Preservation Mortgage is supported by an “entirely new” form of mortgage insurance developed by Futureproof, and will disrupt a \$US20 billion a year reverse mortgage industry in Australia, the UK and the US, it says.

“We are under due diligence with several major insurance carriers in the US and Asia as initial product issuers for our market launch. These are insurance global brands,” Co-Founder & Director John Innes tells insuranceNEWS.com.au.

“In retirement funding, life insurers are at the heart of the market. Insurers are far better placed (than banks) to build product and innovate given their better understanding of mortality, longevity, annuity and investment risk, all of which are at their very core.”

Mr Innes, who spent two years as Allianz National Manager Commercial, says existing equity release products – reverse mortgages, shared appreciation mortgages, retirement interest-only mortgages – are not fit for purpose and “inherently defective in their design”.

“This leaves insurers fighting for the 30% of retirees who are cash-rich trying to sell them annuities, guaranteed income products or investment products,” he said. “The cash-rich retirees are not the growth market – they are the shrinking market.”

Mr Innes says 70% of retirees are homeowners but under-funded for their retirement, with their wealth tied up in residential property.

No insurer has any retirement funding product for the 70% majority of retirees who are asset-rich/cash-poor, other than a reverse mortgage, Mr Innes says.

"This is a glaring lack of product and the white space for the life insurance industry for which no one has come up with any product innovation. Our aim is to dispatch reverse mortgages to the rubbish bin of bad ideas forever," Mr Innes said.

"No one likes reverse mortgages – not your parents as borrowers who lose their home equity and not the lender writing them at a 100% risk weighting ... requiring Tier One capital to be locked up for regulated capital or solvency margin."

The Futureproof product sees issuers deploy a portion of a property's equity on a regulated platform of assets, as is common with annuity products. Earnings on those assets pay down and insure the cost of a loan taken out on another portion.

Futureproof is partnering with IMS Digital Ventures and plans to launch in around 12 months. Its product technical team is in Sydney, its tech team in Hong Kong, and its commercial team in the UK.

"The Equity Preservation Mortgage will introduce a new fourth pillar of retirement funding – home capital," Futureproof says. "Home capital is the last remaining untouched asset class – it is the only pool of capital of sufficient size and depth to address the retirement funding gap.

"This asset class can, finally, be unlocked to create substantial new capital flows to benefit homeownership retirees."

See a video explaining the product [here](#).

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