



# UBS 20<sup>th</sup> Annual South Africa Financial Services Conference

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WHY

Make people healthier and enhance and protect their lives



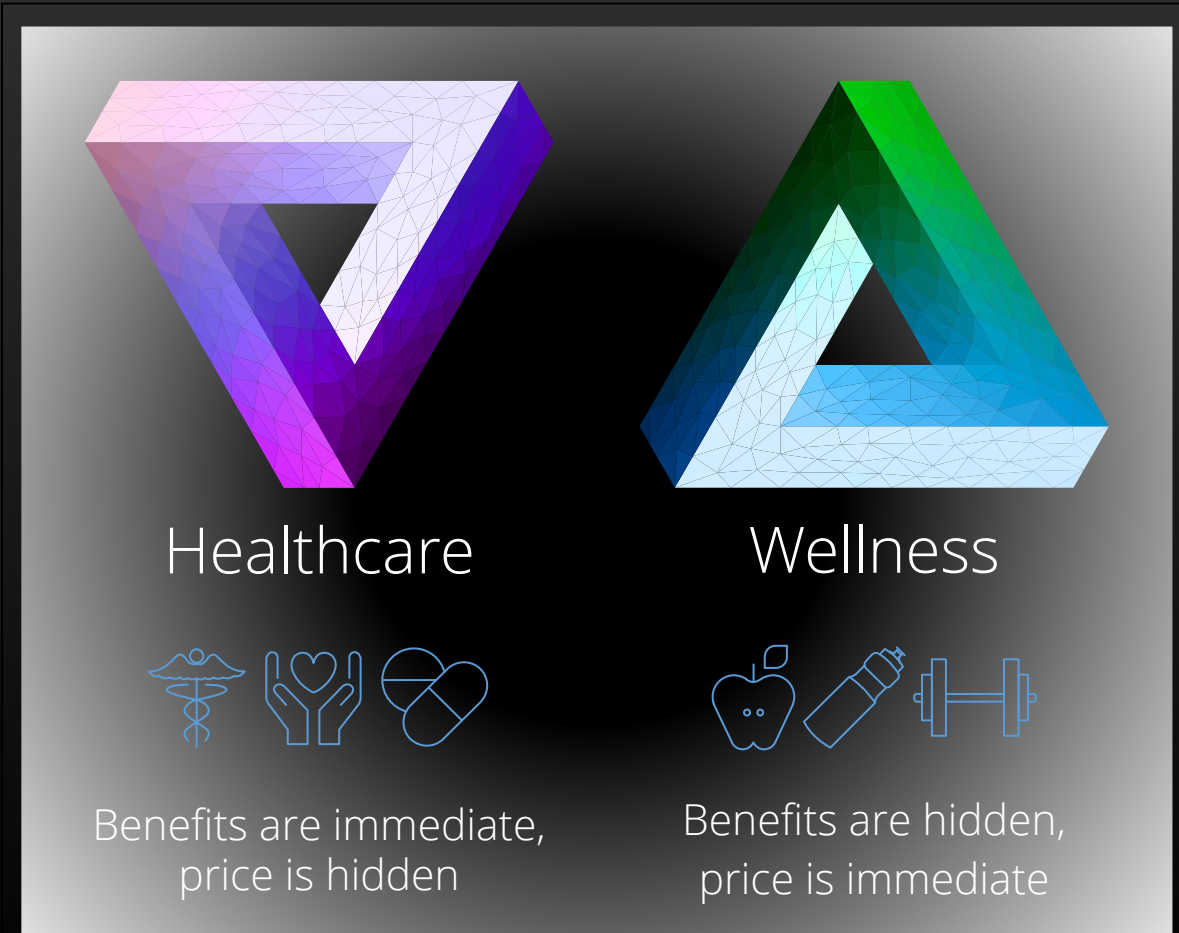
HOW



WHAT

- Health insurance
- Life insurance
- Long-term savings

## The Healthcare Wellness paradox



4 main risk factors



Physical inactivity



Unhealthy diet



Smoking



Excess alcohol

4 NCDs



Respiratory disease



Diabetes



Cancer



Cardiovascular disease

Responsible for

60%

of all deaths worldwide

# The Vitality Shared-Value Insurance Model delivers value to all stakeholders



Vitality's shared value approach is based on incentivising policyholders to manage their wellness



We design innovative insurance products that emphasise the importance of prevention and wellness, leveraging the insights from behavioural economics in an immediate rewards system that drives positive behaviour change over the long term



The change in behaviour results in improved profitability for the insurer which in turn is used to fund the incentives that encourage behaviour change – thus creating a virtuous cycle



The impact from a clinical and actuarial perspective is significant



In this way, our model continues to drive shared value: it delivers better health and value for clients, superior actuarial dynamics for the insurer, and a healthier society at large

*Michael Porter coins a "shared-value" business model - addressing social needs, profitably. Porter argues that business models such as these are less a "nice to have" than they are an imperative for long-term growth, particularly in today's age where civically-minded millennials increasingly prefer to endorse institutions that respect both profit and purpose.*



# Vitality is the global leader in behaviour-linked insurance



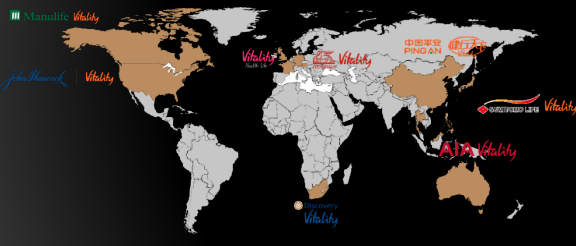
Pioneering

Largest

Science-based

Globally recognised

1997  
1998  
1999  
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2013  
2014



Launched in 1997

Present in 16 countries

15 independent research publications

Case study by Prof. Michael Porter

# Mathematics of Vitality Shared-Value Insurance



$$\frac{\text{Value Member}}{\text{Member}} = \frac{\text{Incentive Member}}{\text{Member}} \times \frac{\Delta \text{ Behaviour}}{\text{Incentive}} \times \frac{\text{Bent (qx)}}{\Delta \text{ Behaviour}} \times \frac{\text{Value}}{\text{Bent (qx)}}$$

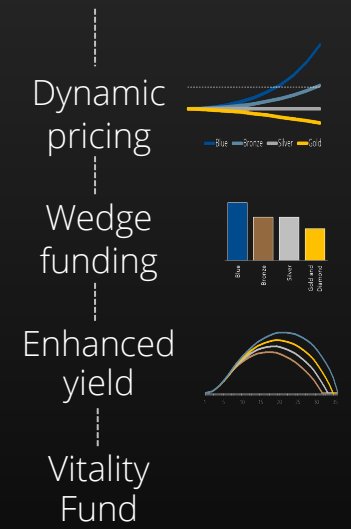
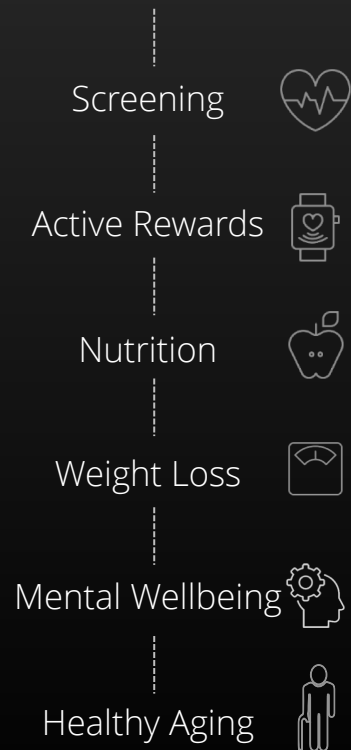
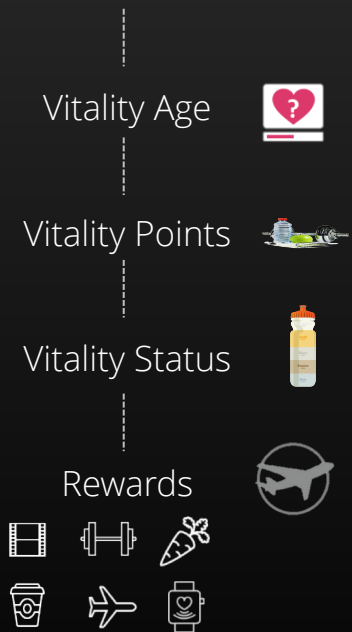
Shared value

Vitality chassis

Programmes

Make people healthier

Product





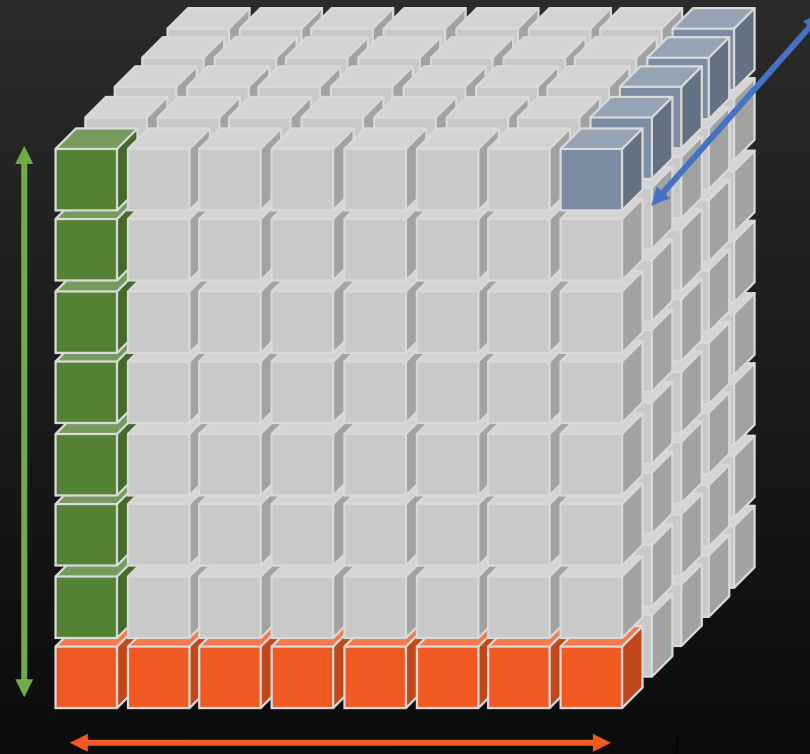
# Data is substantial

>2 petabytes

of behaviour-linked insurance data

## Driving data

- Demographic information
- Kilometers driven
- Driver behaviour
- Accident impact
- Driver routes
- Harsh braking
- Acceleration
- Cornering
- Mobile phone usage
- Time and distance of trips



## Health data

- Demographic information
- Cost of claims
- Provider visits
- Hospital admissions
- Condition management
- Health outcomes
- Out of hospital spend
- Chronic condition history
- Physical activity
- Biometrics and screenings
- Nutrition
- Smoker status
- Vitality status

## Financial data

- Customer loyalty
- Customer spend behaviour
- Price sensitivity
- Credit riskiness

Engagement and activity generates additional data unique to Vitality, emphasizing the depth of data underpinning analyses



## Getting Healthy



250 000

Vitality Health Checks



10 million

discounted gym visits



20 million

HealthyFood baskets bought



Over 10 000

Team Vitality members

## Getting Rewarded



R1 billion  
HealthyFood cash back



1 million  
discounted flights booked



2.5 million  
discounted movies



1.8 billion  
Discovery Miles earned

## On an average day in Discovery Health ...



19  
schemes administered



37,000  
telephone calls



2,700  
hospital admissions



250,000  
Claims received



31,500  
Health professionals

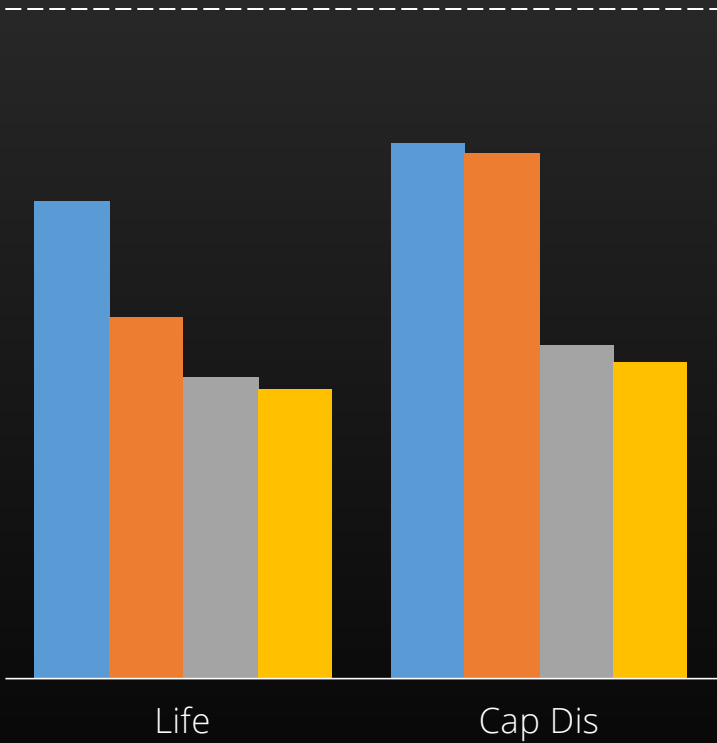


# Vitality clients have better claims experience, and improvements deepen with duration inforce



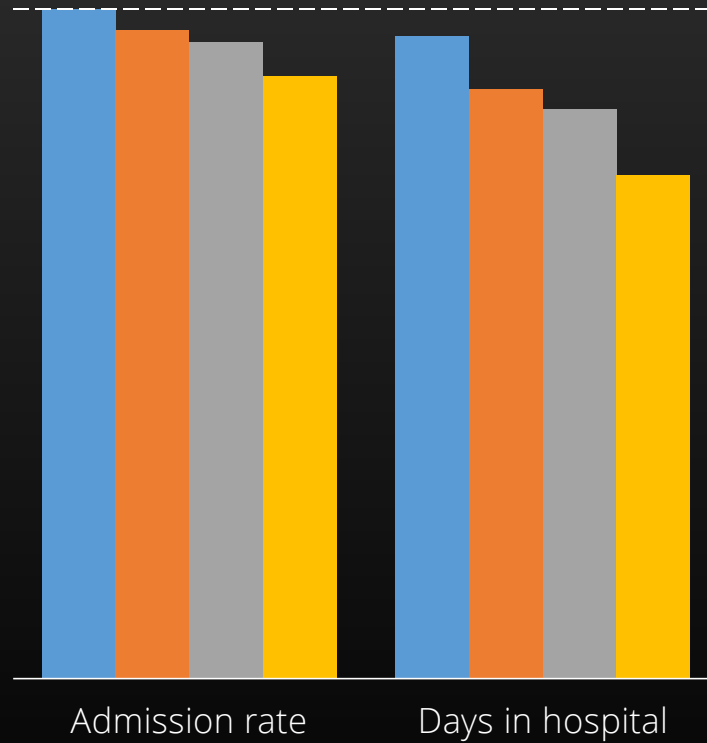
## Life Insurance

Improvements by status relative to NI  
Percentage

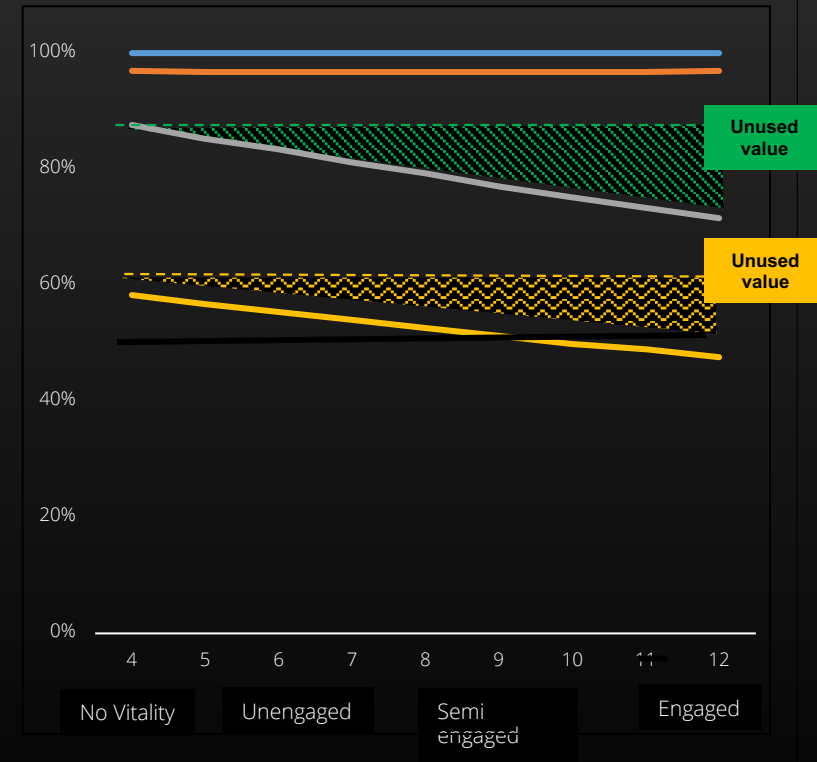


## Health Insurance

Improvements by status relative to NI  
Percentage



## Life insurance – mortality improvements strengthen over time

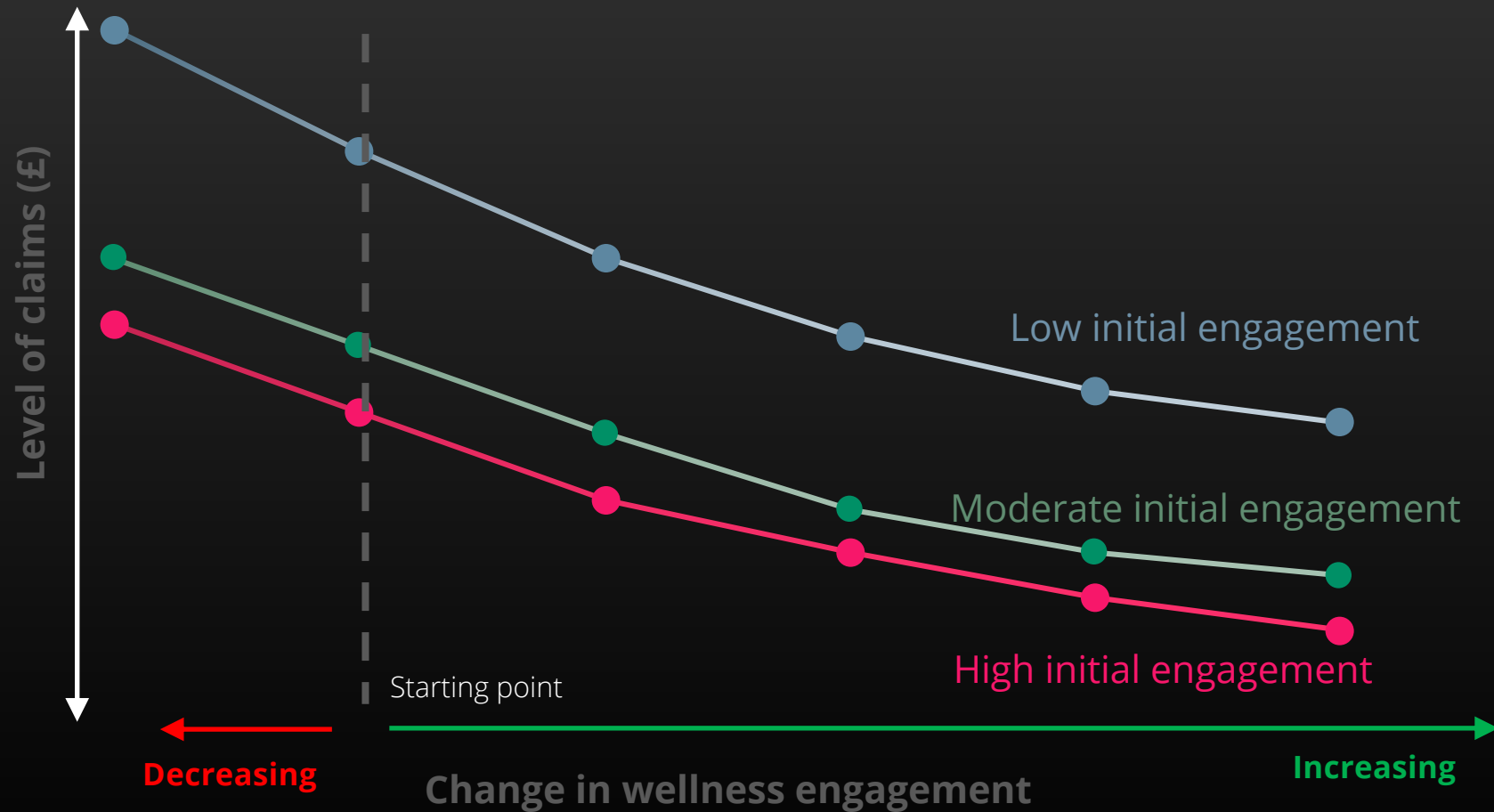
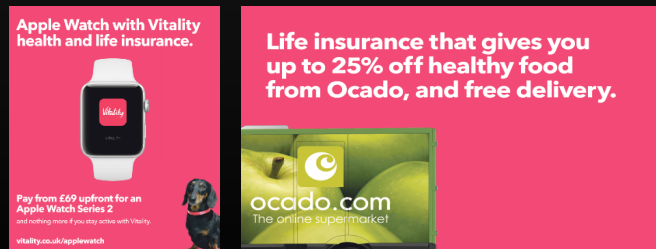


Blue Bronze Silver Gold & Diamond

# Similar results due to behaviour change are evident in the UK

## Record levels of engagement in Vitality

## Claims rates for Vitality members based on initial wellness engagement and subsequent changes



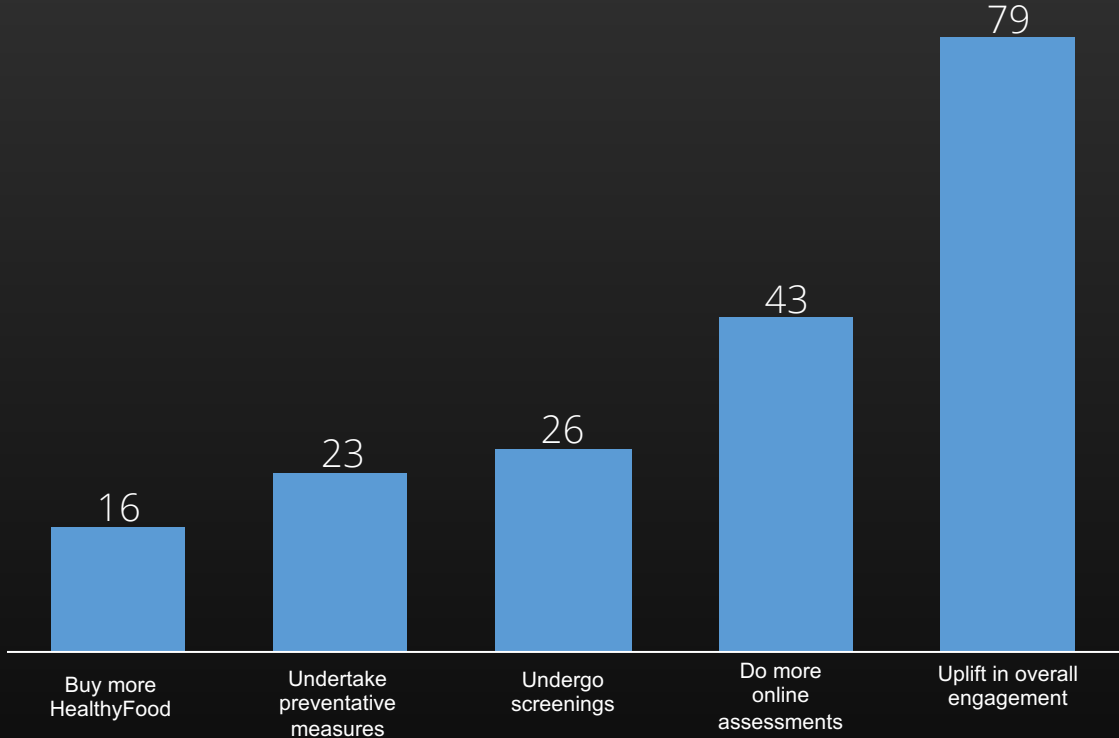


Active Rewards incentivizes people to get active, which in turn has a significant impact on claims

# Engagement in the programme has been strong



Increase in health participation after becoming physically active  
Percentage

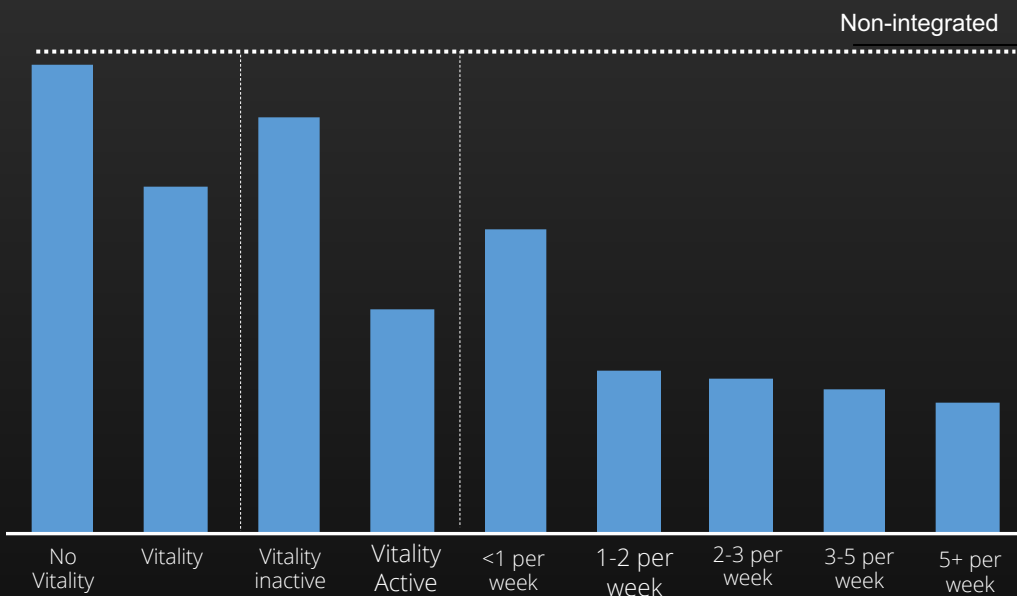


## Physical activity triggers a healthy lifestyle

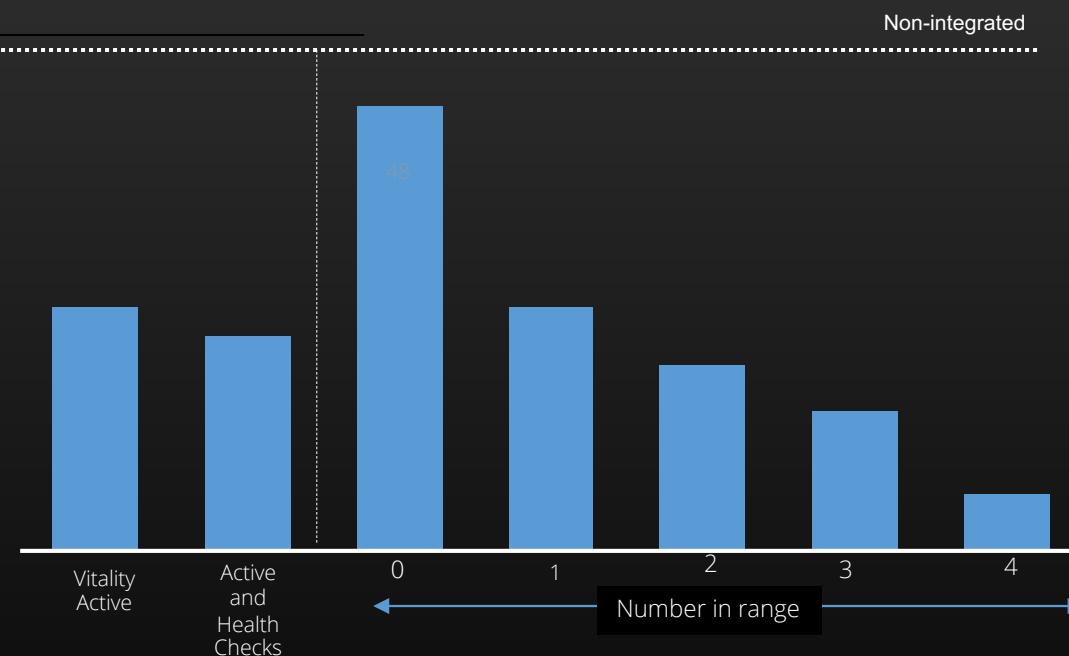
 <p>220,000 unique members</p>	 <p>34 million life days tracked</p>
 <p>Over 5 million goals allocated</p>	 <p>3.4 million physical activity events logged</p>
 <p>25,000 Active Apple Watches</p>	 <p>16,000 Members have 4 friends on the app</p>

# Relative mortality decreases significantly by physical activity and health checks

Mortality improvements by physical activity relative to non-integrated Percentage



Mortality improvements by In range health checks\* and physical activity Percentage

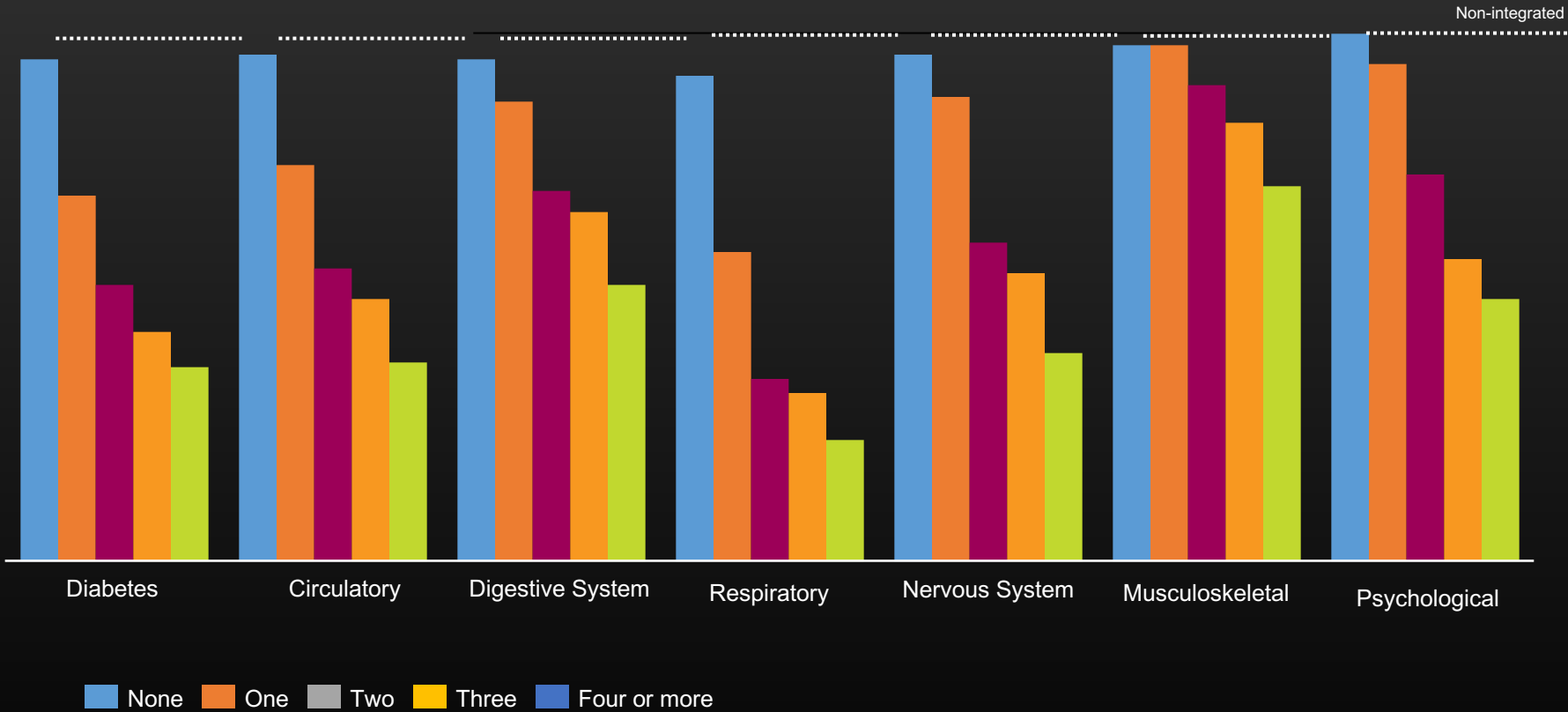


\* Four metrics considered: BMI, blood pressure, cholesterol and physical activity

# Relative morbidity decreases significantly by physical activity across disease categories



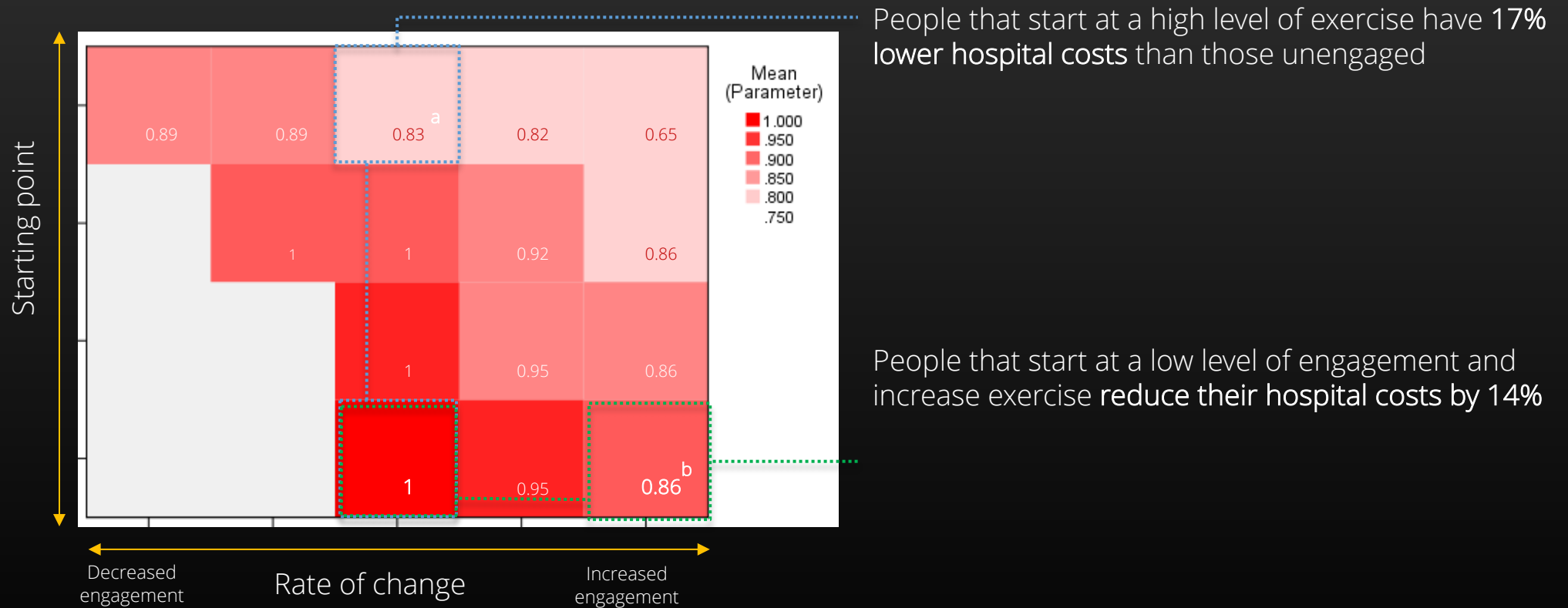
Discovery Health disease claims by physical activity, relative to non-integrated members  
Percentage





# Both initial engagement in Vitality as well as behaviour change impact on claims experience

## Example of Generalised Linear Model results: The Year 5 model for In Hospital costs



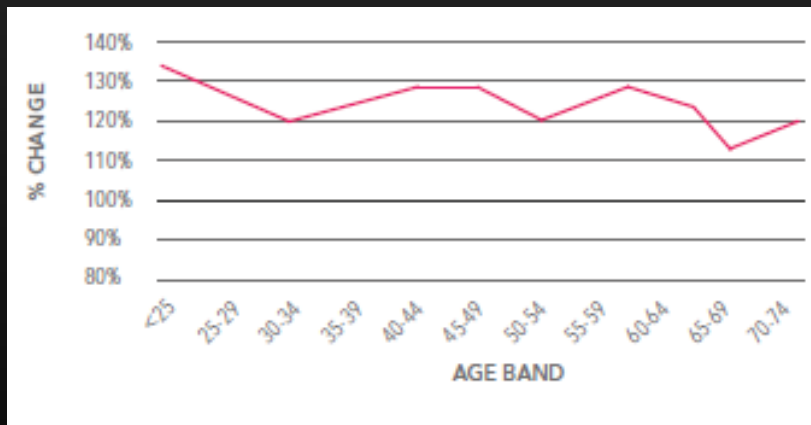
# UK has experienced similar changes in behaviour

Active Rewards has been a success and members are exercising more

Healthy Food has incentivized members to increase their healthy purchases

Apple Watch incentivized members to be more active in order to reduce their watch repayments

% increase in members earning points from steps following launch of Active Rewards



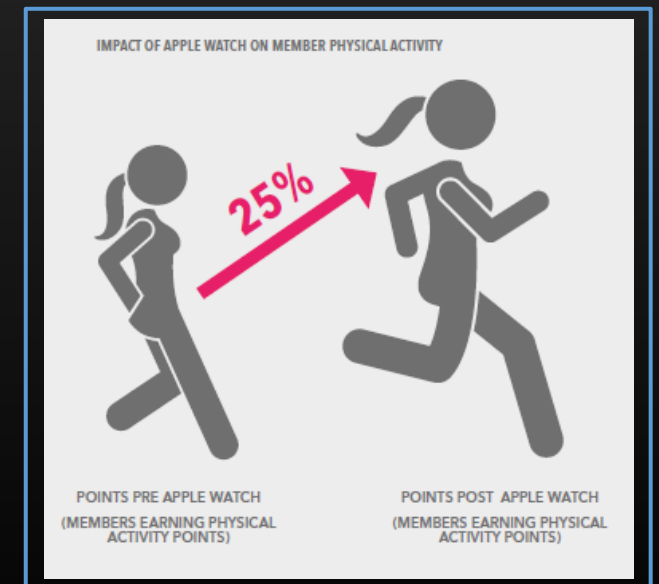
2016-2015

100% = No change

Members who were Ocado shoppers prior to the introduction of the Healthy Food benefit experienced a 19% increase in the share of their basket that is healthy following the launch of the benefit



Members who activated the Apple Watch benefit with Vitality increase physical activity by 25% following activation



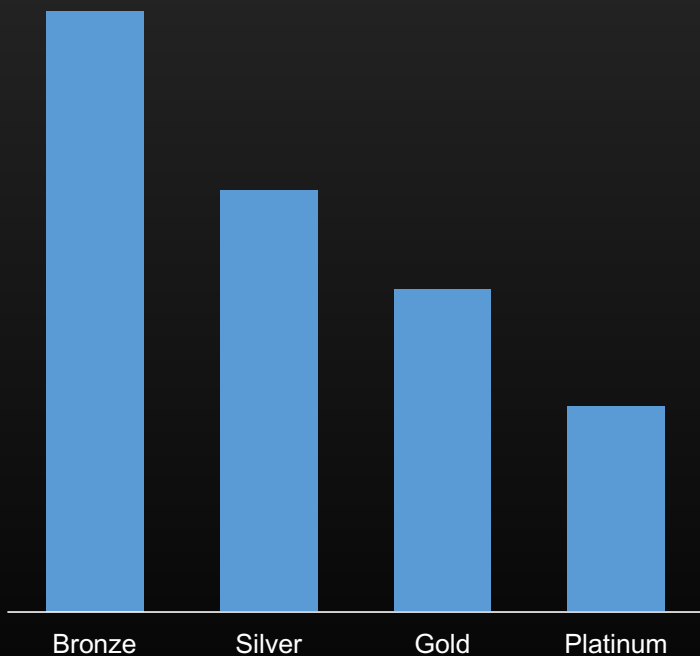
The Vitality offering has been shown to have a significant dampening impact on lapse experience across a range of markets



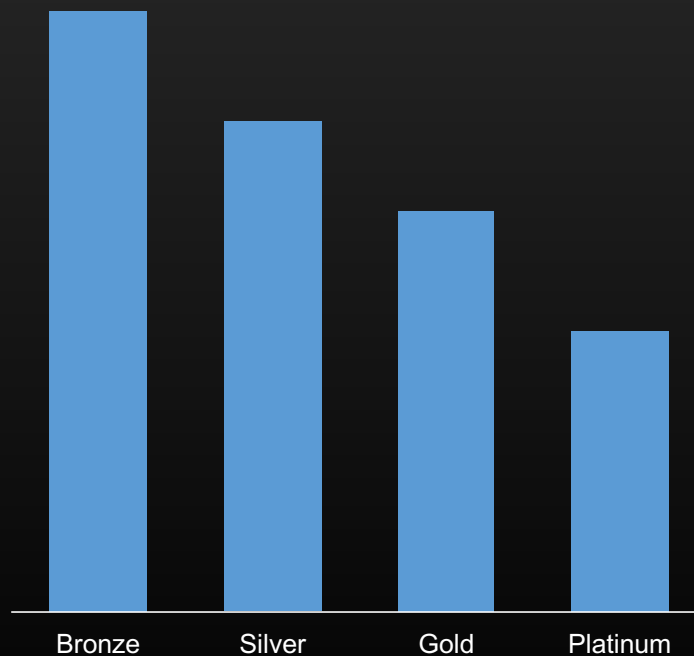
### South Africa

### UK

Deeper lapse improvements at higher statuses  
Percentage



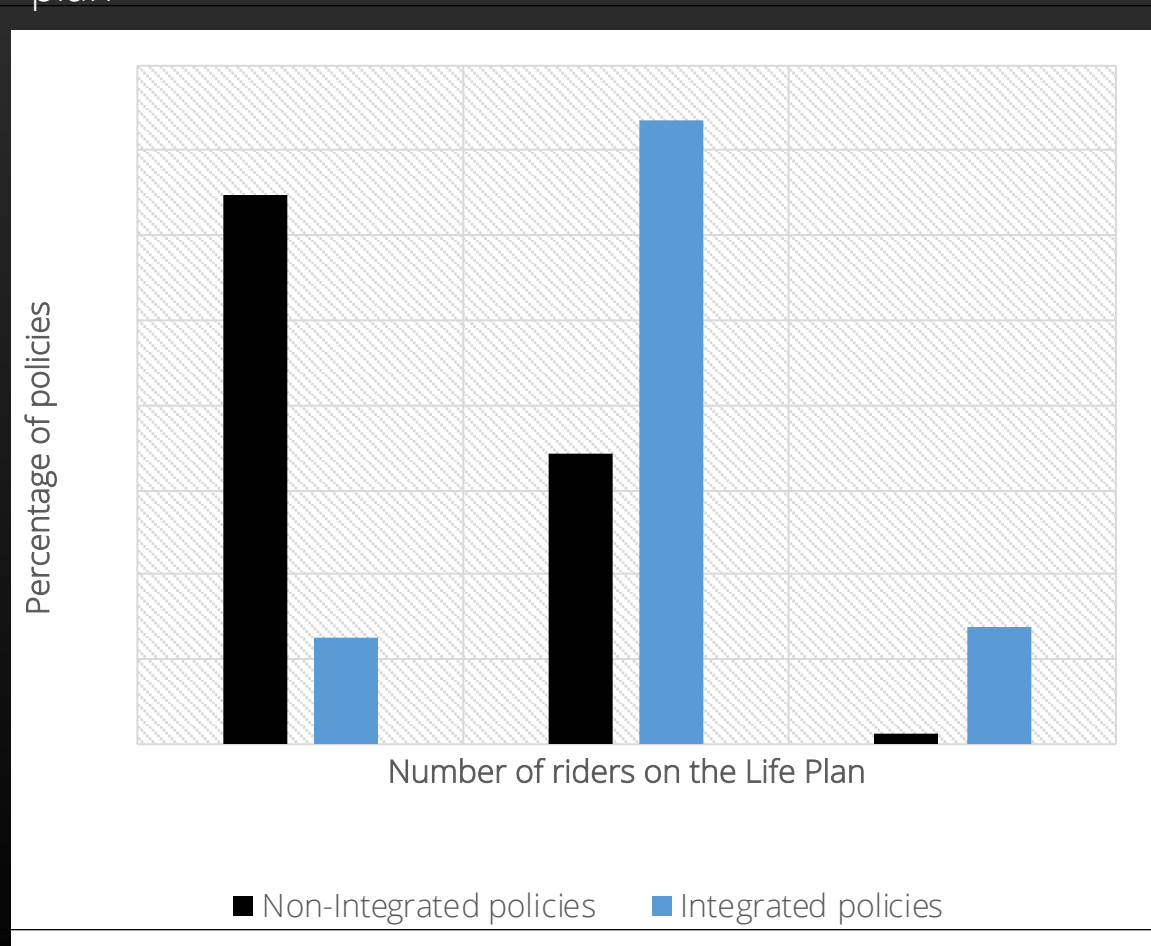
Deeper lapse improvements at higher statuses  
Percentage



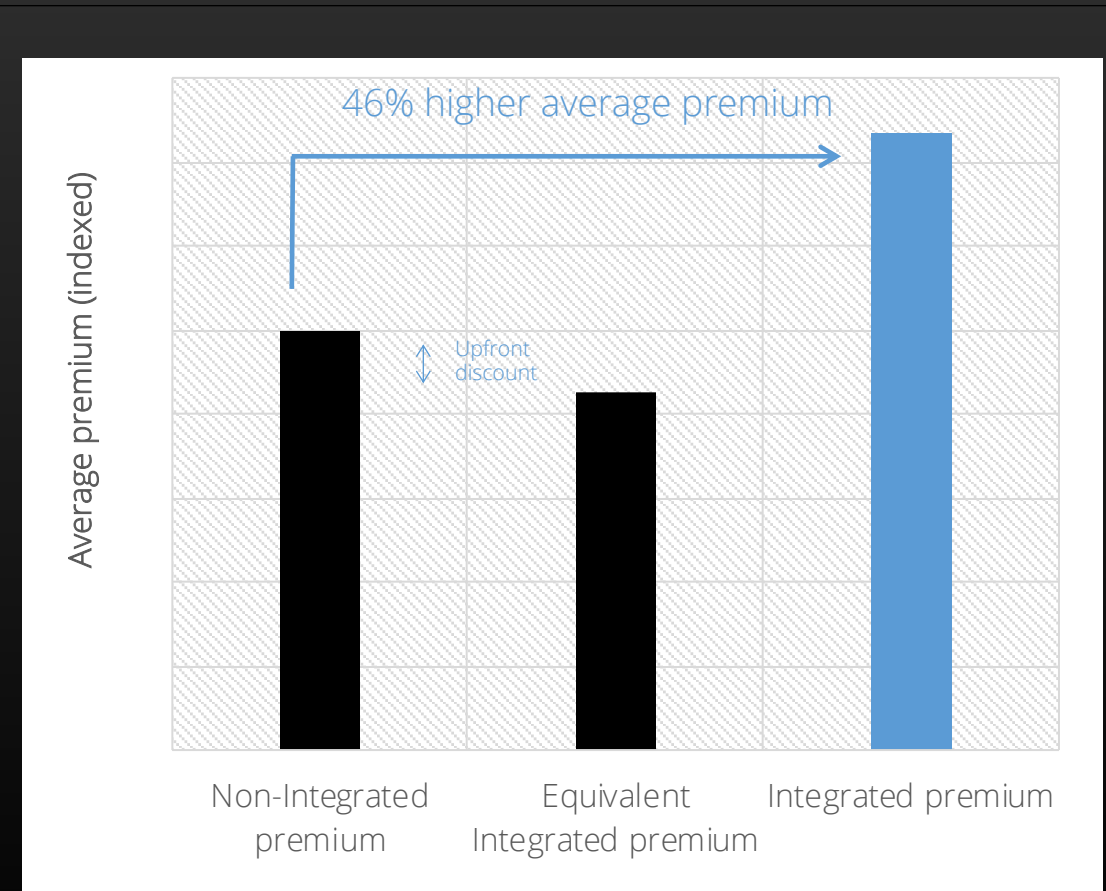
# DSY Life Vitality members have a higher level of rider take-up and use their discounts to buy more cover



DSY Life Vitality members have more riders on their life plan



... and use the premium discount to buy additional cover

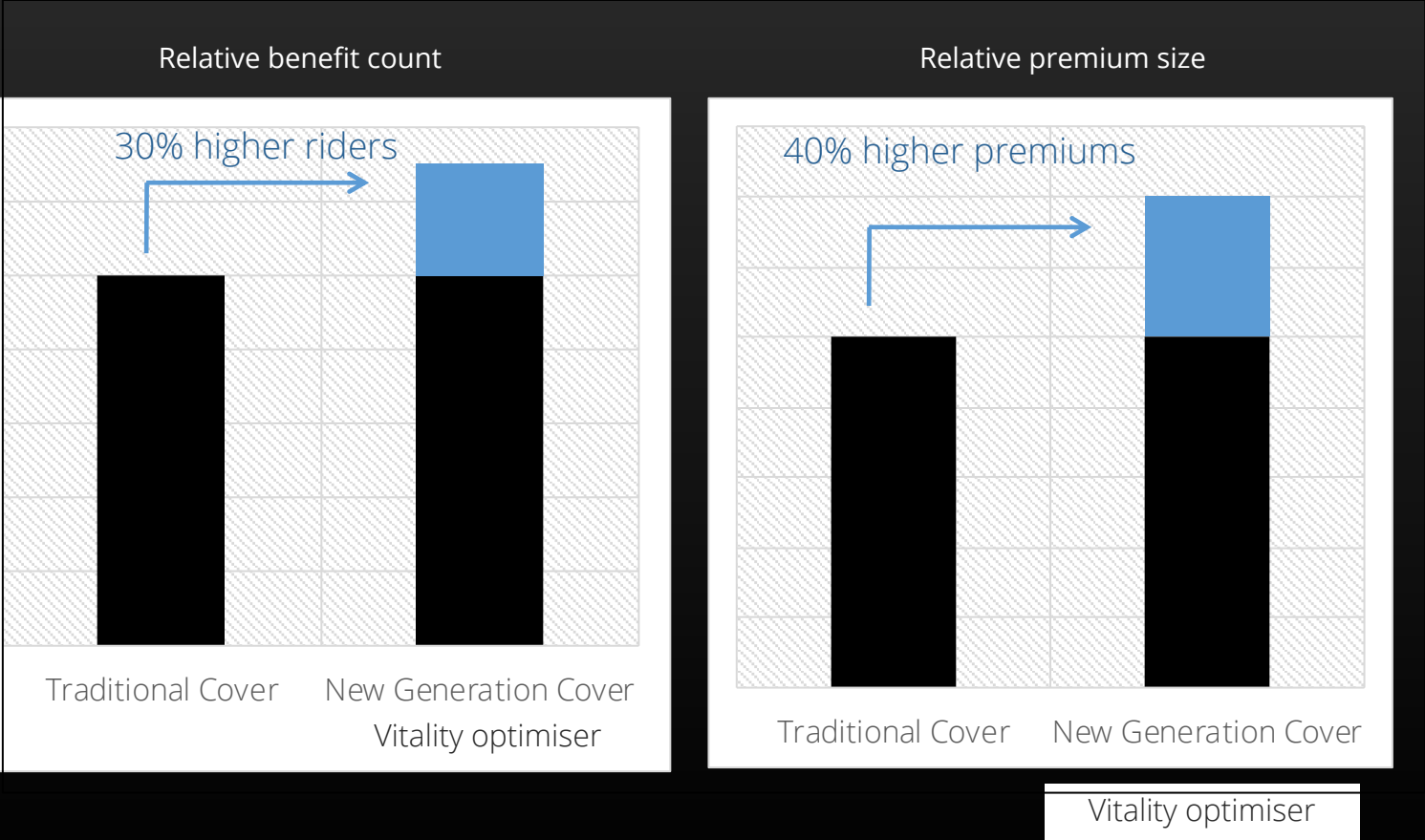




# Similarly Vitality Life clients channel the discount towards higher cover. Deeper Vitality benefits lead to significantly higher sales



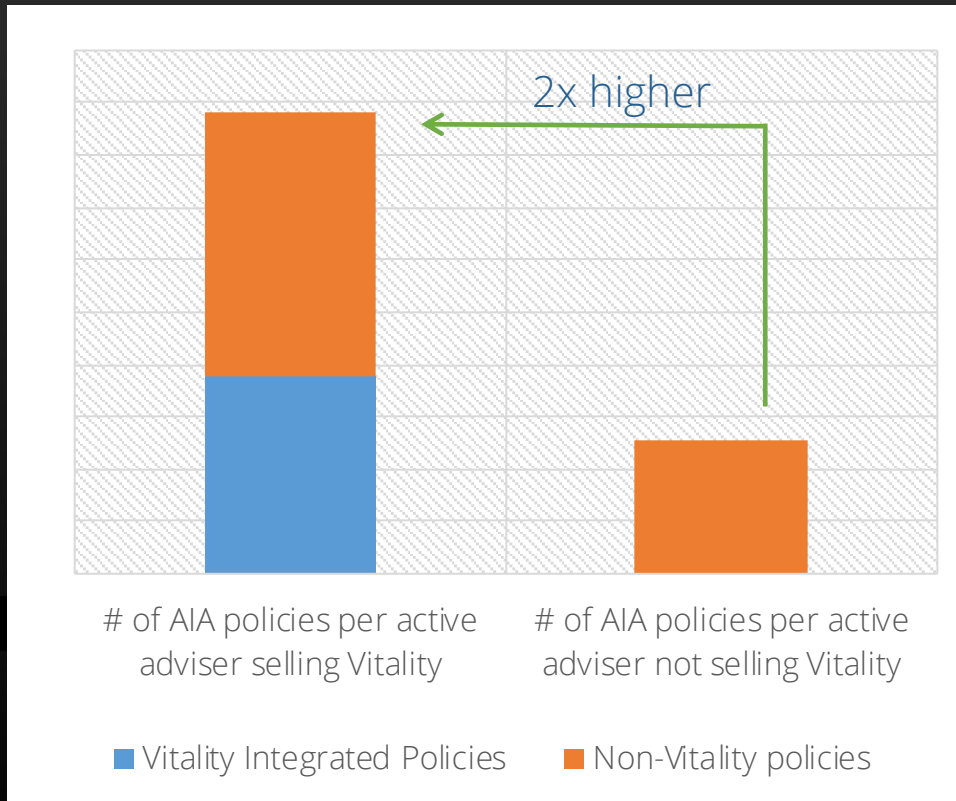
High initial discounts result in increased policy size and higher number of benefits taken



# AIA Case study: AIA Australia has seen an increase in sales following Vitality

Higher sales production from advisers selling Vitality

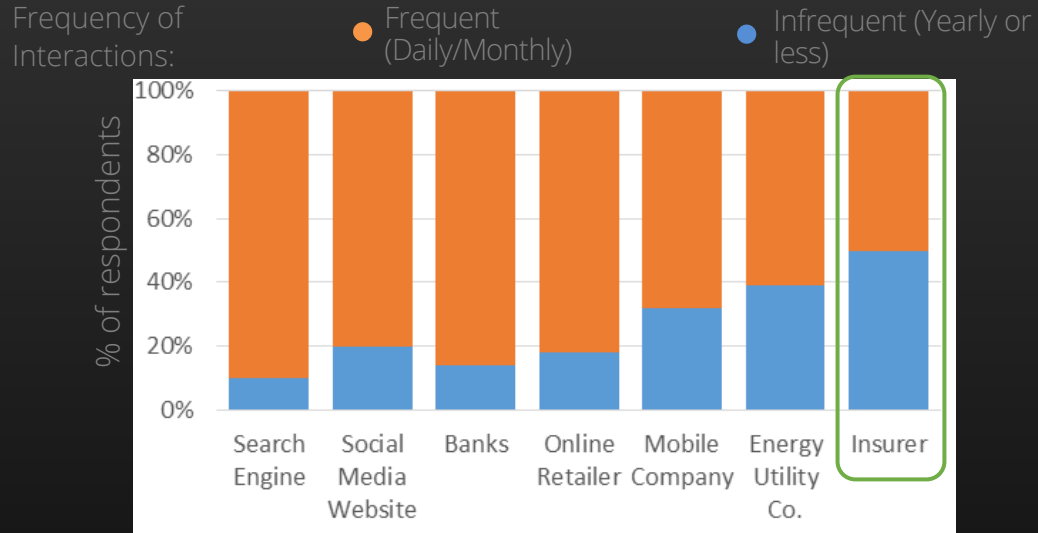
Increase in AU average monthly sales (Vitality + Non-Vitality)



AIA IFA market share has increased from 12.5% (2013) to 17.4%

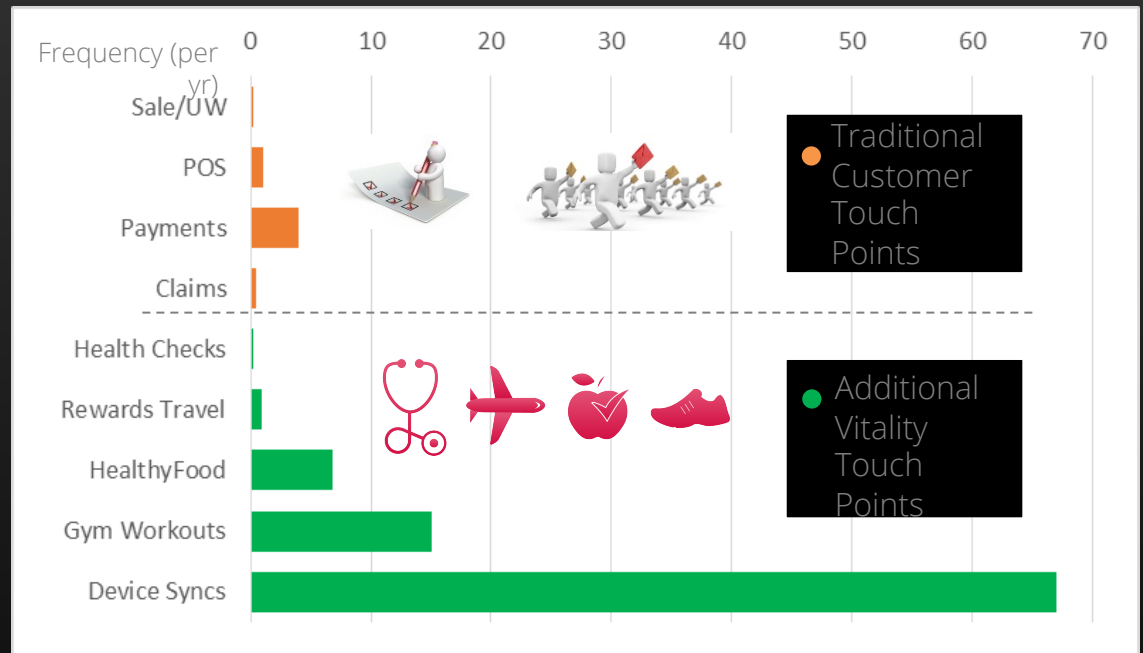
# Frequent and Positive customer interactions create cross-sell opportunities

## Traditional insurance model leads to limited customer engagement



Source: Morgan Stanley/BCG Global Consumer Survey 2014, BCG e-intensity index, Morgan Stanley Research

## Vitality model allows for increased and positive customer interactions



AIA is able to reach customers through non-traditional means providing the opportunity for new approaches to lead generation and cross-selling:

Connect with customers through Vitality Active mobile app

Promotional activity through Vitality partners

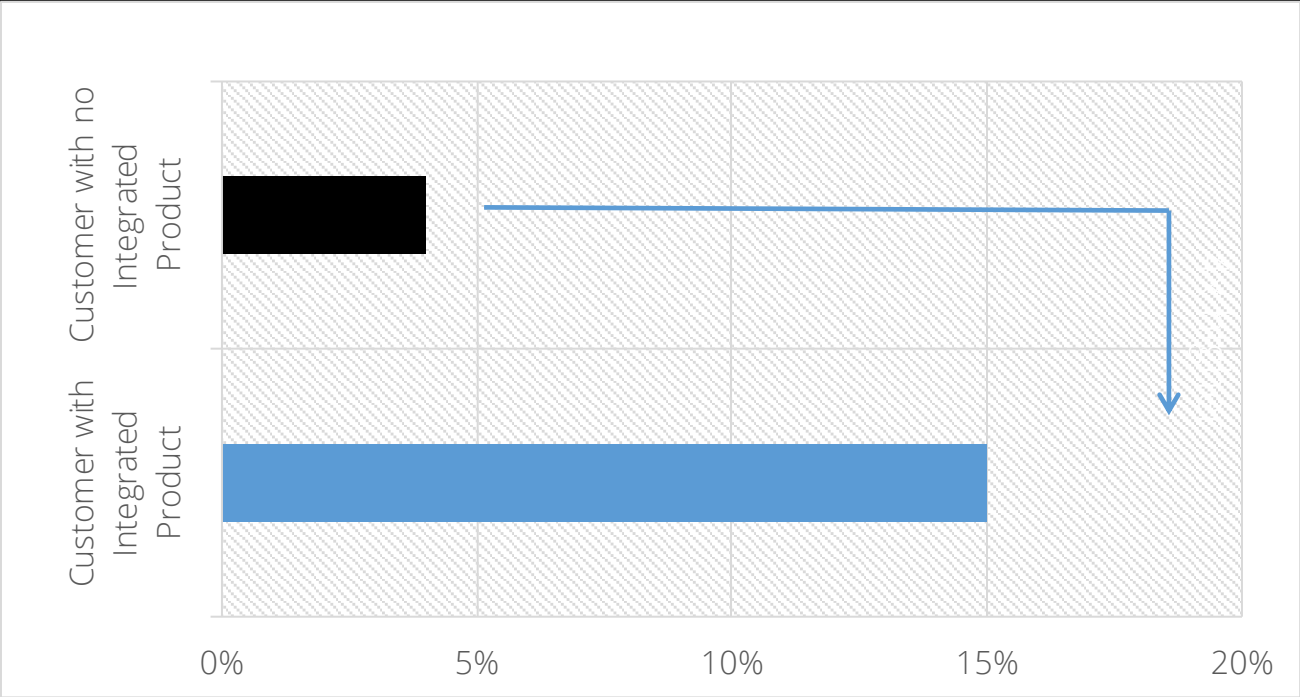
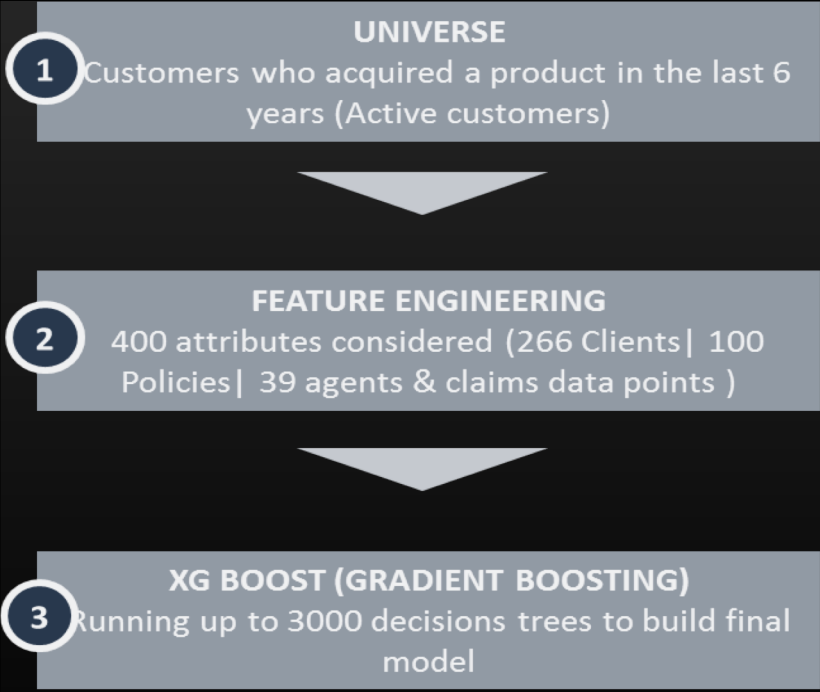
Use Vitality data to support simplified underwriting offers

# ALA case study: Engaged clients are more likely to purchase multiple products



Study conducted to determine factors associated with customers purchasing multiple policies

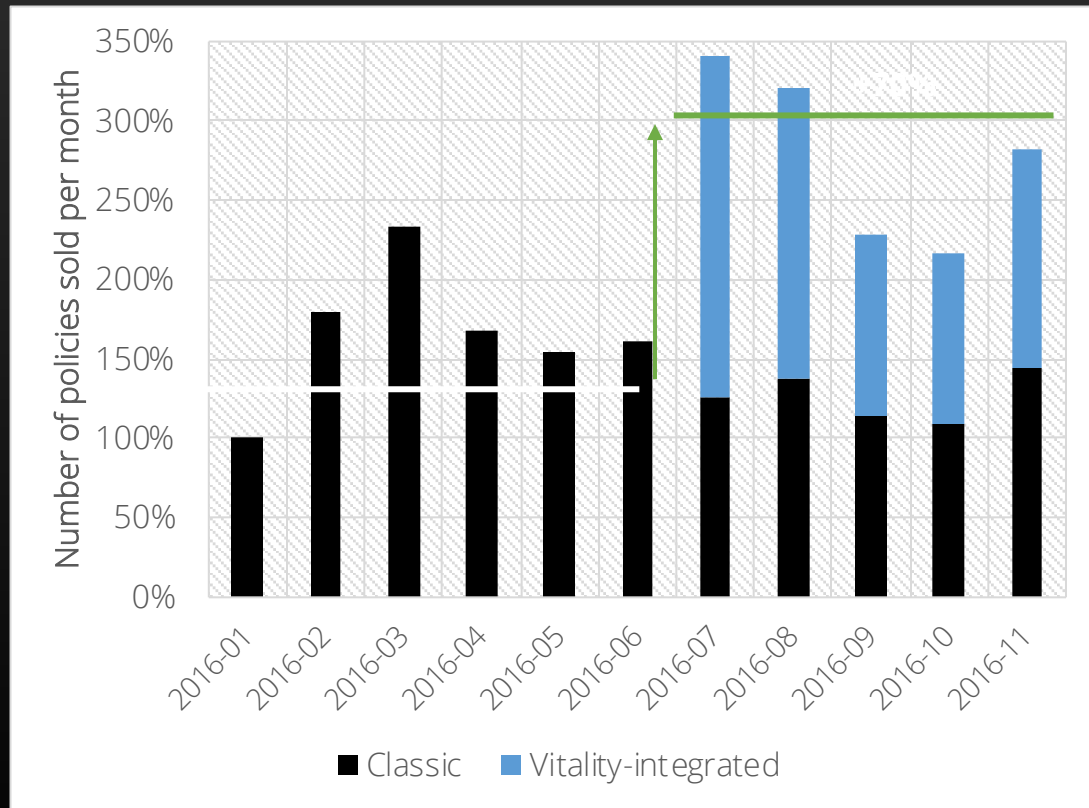
Purchase of an Integrated Product is a significant indicator of whether a customer has a high propensity to purchase multiple products



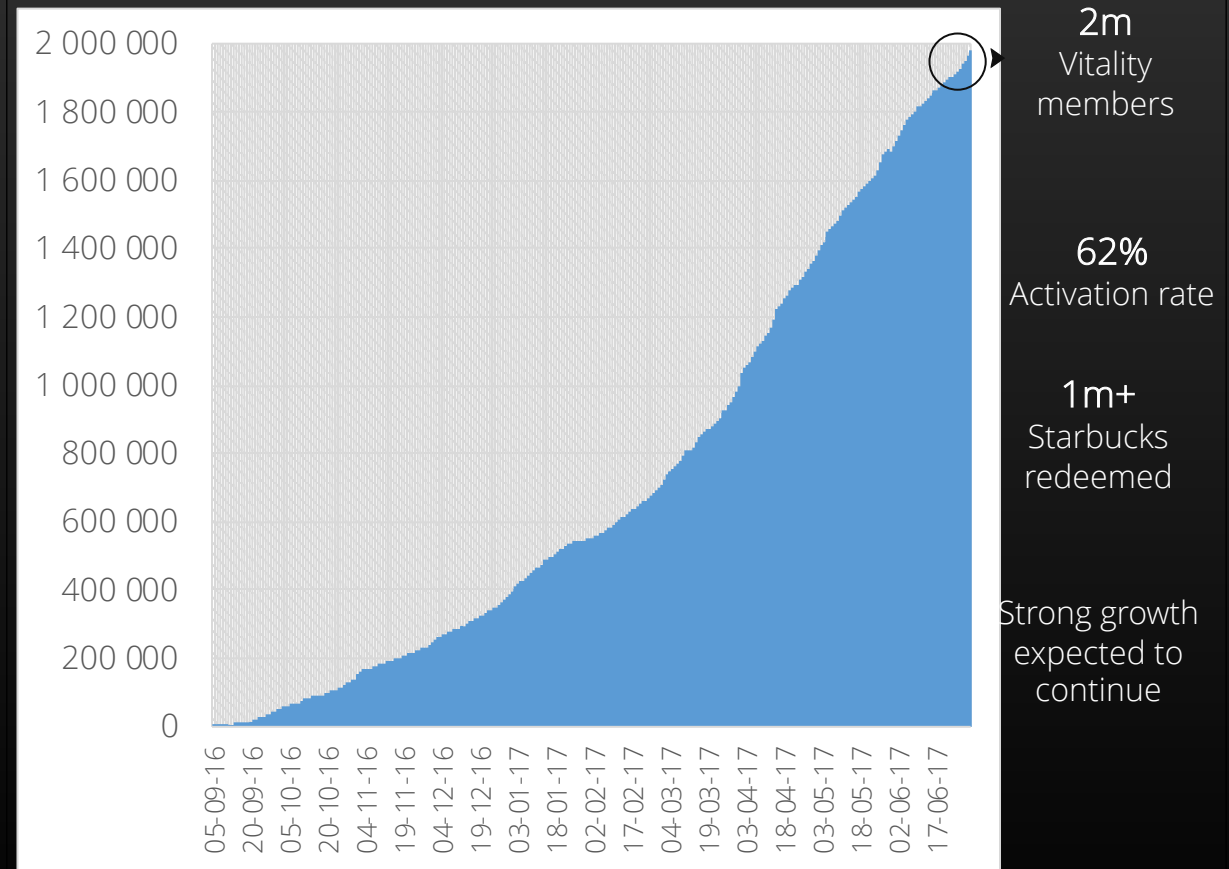


# New partners have shown remarkable sales growth after launching Vitality

Experience from a European market illustrates that the number of policies sold increases substantially after the introduction of Vitality



Another market has seen exponential member growth after the launch of the Active Rewards programme



# Global recognition



Ping An Health won 2016 *China Remuneration and Benefits Supplier Prize*

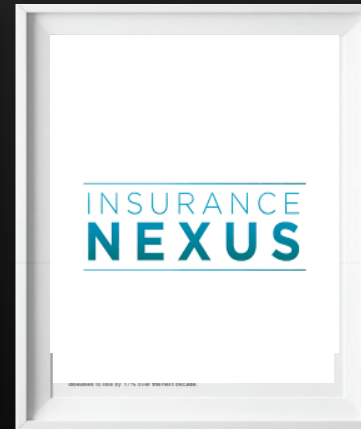
AIA Vitality (Hong Kong) won five gold awards in recognition of their Vitality Active Rewards campaign

AIA Vitality (Australia) won 2016 *Customer Innovation Award*

Generali Vitality (France) awarded 2017 *Innovation of the Year for Corporate Life Business*

John Hancock Vitality named 2017 *Most Innovative Insurer*

Vitality USA named as *Leading Health Innovator* at 2017 WEF



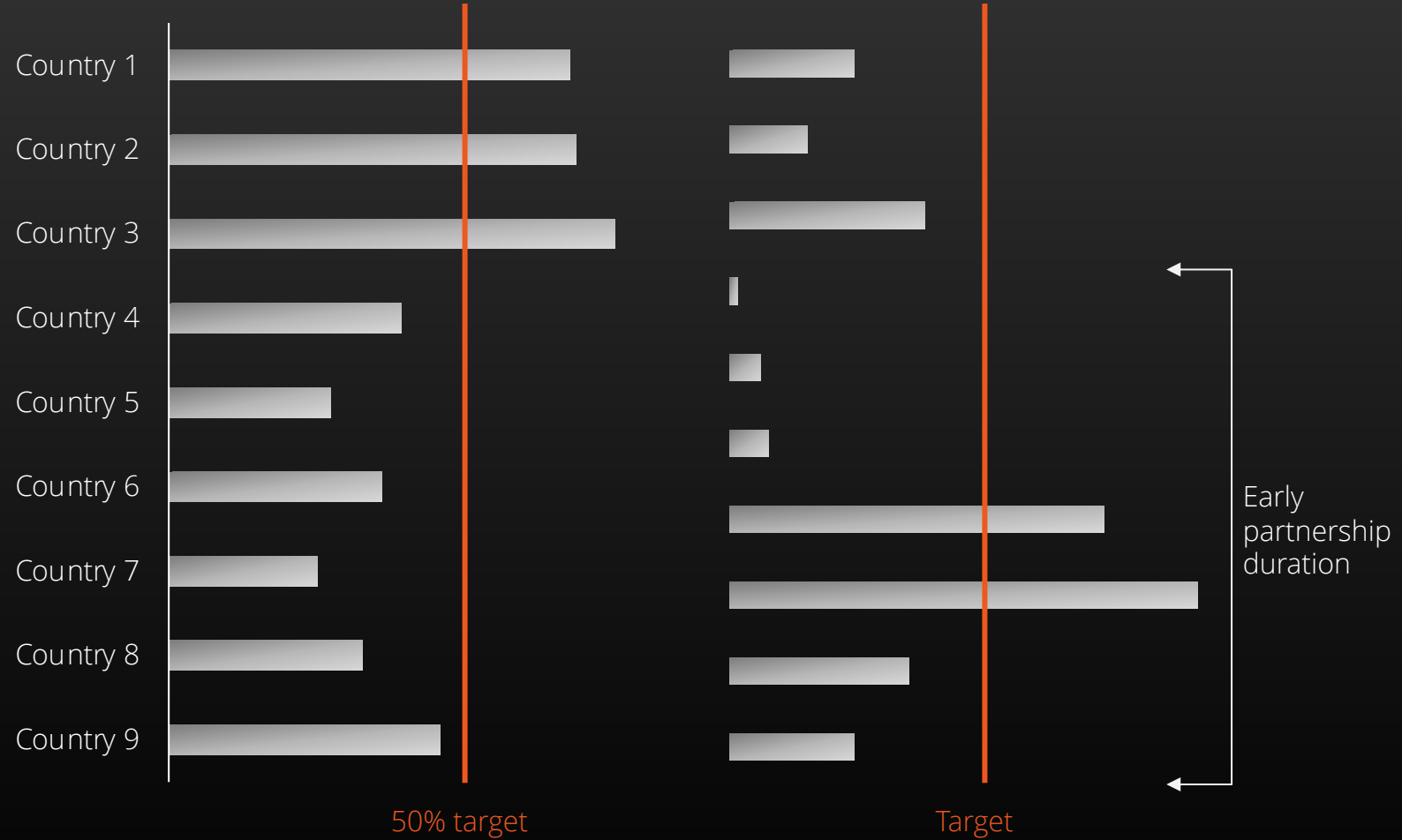
Insurers

**X** Penetration

**X** Engagement

- Term Insurance
- Whole of Life
- Universal
- Critical Illness
- Unit Linked
- Health

3x letters of intent



Minimum partnership fee

**+** % of VNB/Premium

**+** Experience profit sharing

# Launch of myOwn in Australia



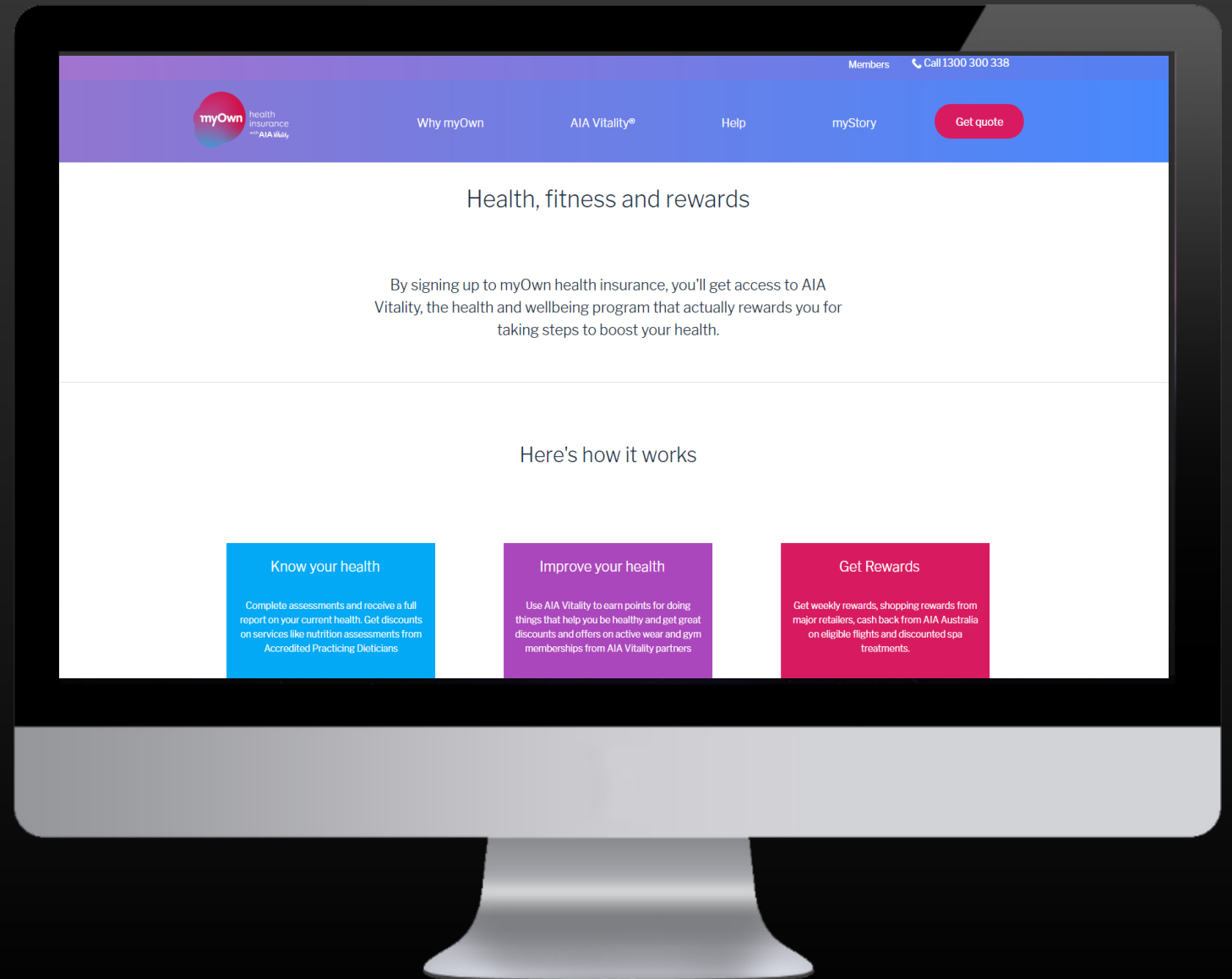
Australian Health Insurance



Partnership between



Partnership will soon also integrate with AIA Life to create a compelling offer that combines both health and life insurance with Vitality







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