




Discovery Insure
2019 UBS SA Short-term Insurance Indaba



Anton Ossip – Chief Executive Officer
Alan Jacobson – Chief Financial Officer
Jackie Symons – Group Accountant
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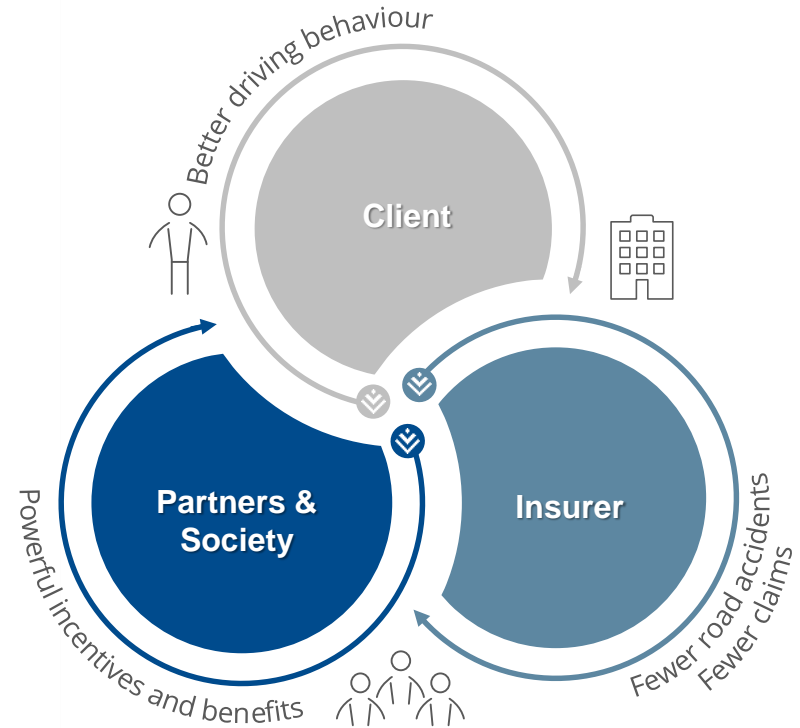
Core purpose and shared value model



Make people healthier and enhance and protect their lives



Creating a nation of great drivers and building better businesses



Agenda

- 01 | **Business and financial overview**
- 02 | Product offering
- 03 | Loss ratio: Shared-Value model approach
- 04 | Adding value to society

Discovery Insure – a strong, growing company



Personal Lines

Over 217 000 cars

Over R 256 billion in insured assets

Over R1.9 billion in claims paid in 2018



Business Insurance

30-35 quotes processed per day

Over 580 policies

Over R7 billion sum insured

Most business from:

- Business and Personal services
- Wholesale and retail trade

Over 154 claims processed

With an average 13 day TAT



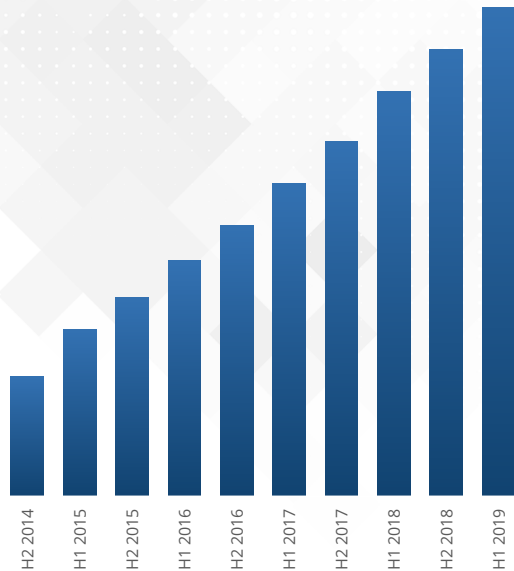
Discovery Insure – fastest growing insurer in SA



Gross written premium (Rm)

+21%

to R1.5bn



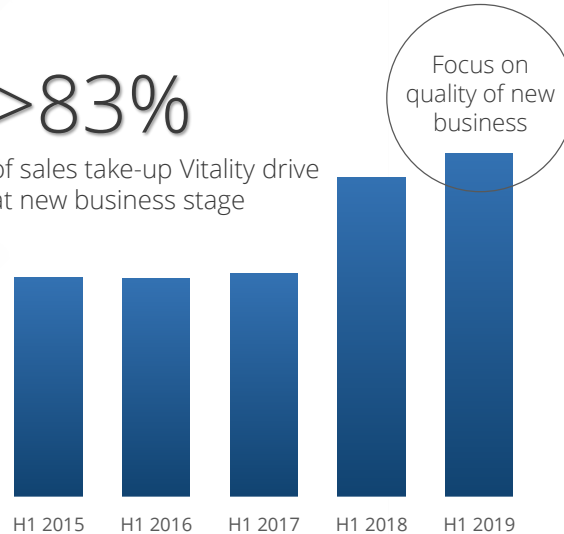
New business API (Rm)

+4%

to R517m

>83%

of sales take-up Vitality drive at new business stage

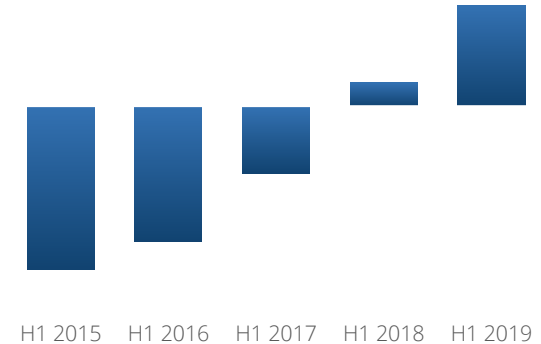


Normalised operating profit (Rm)

+325%

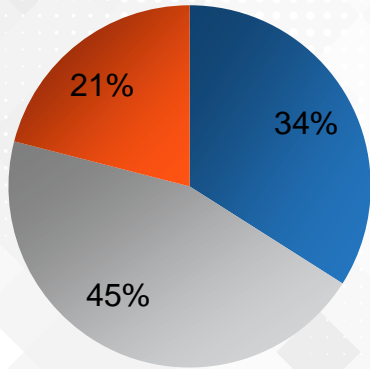
to R51m

excl. CMT profits



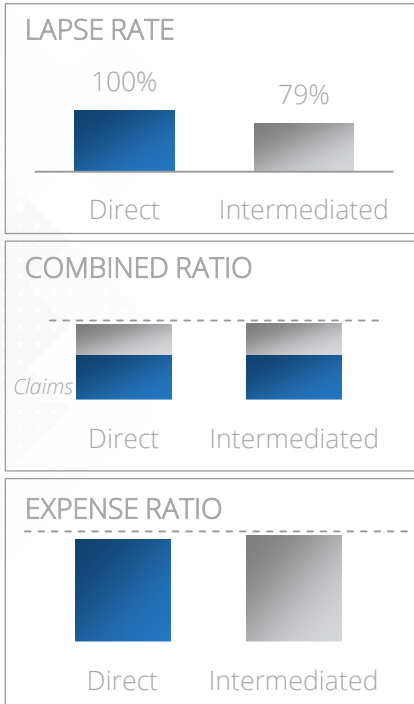
Success of diverse distribution strategy

Earned premium split by distribution channel



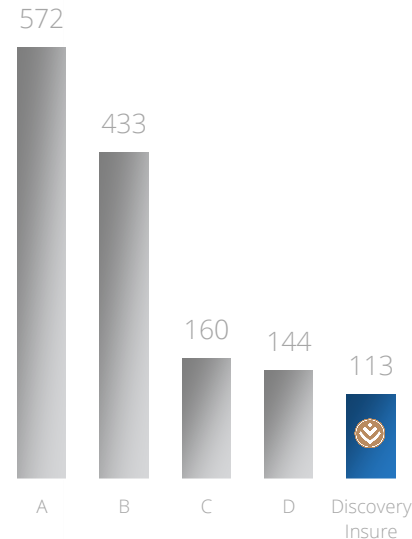
- Direct
- Independent advisers
- Tied advisers

Key metrics by channel



High return on advertising spend

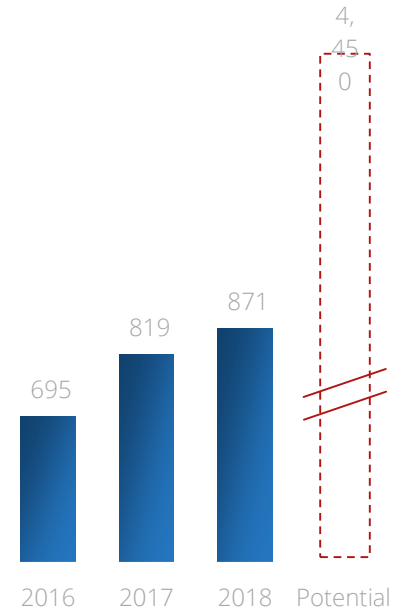
2018 competitor advertising spend R'm



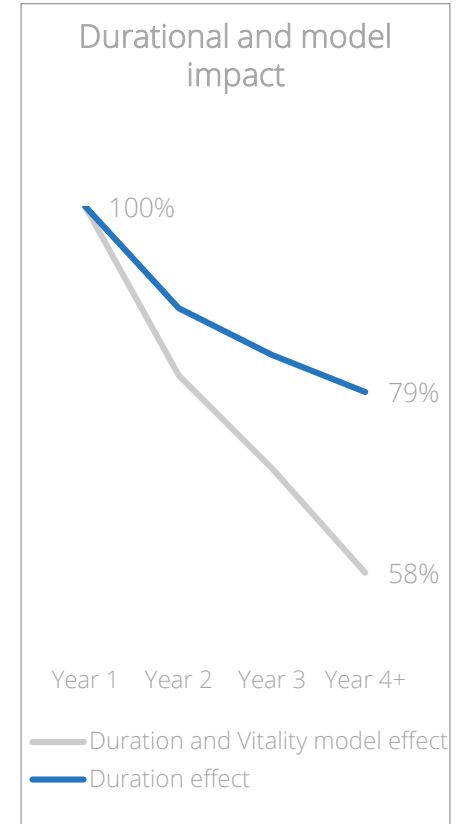
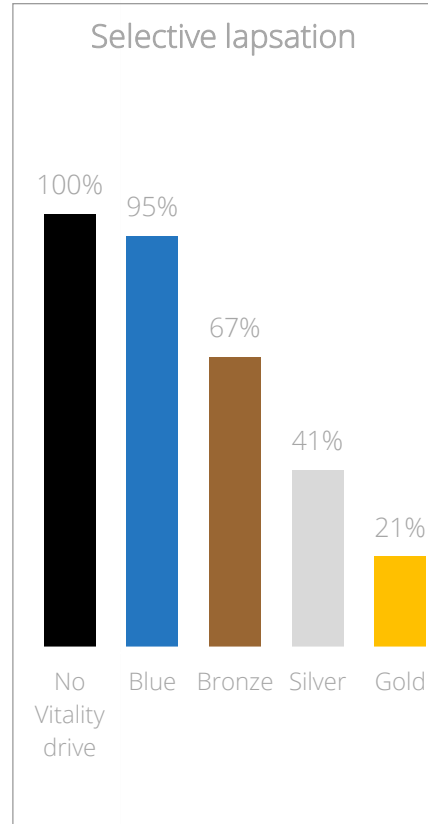
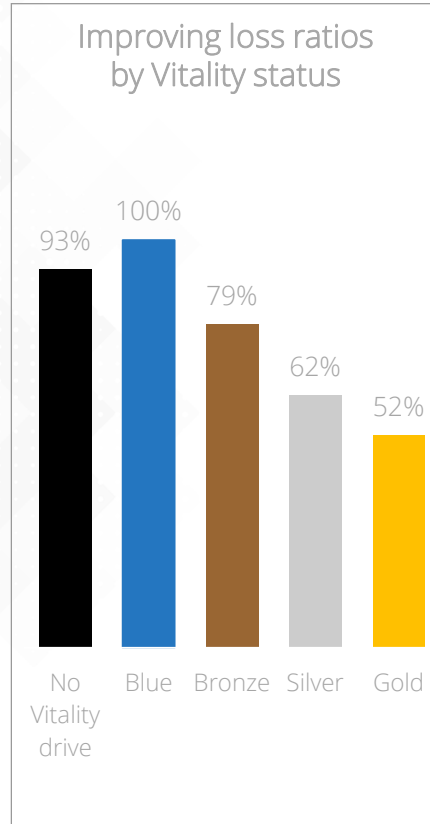
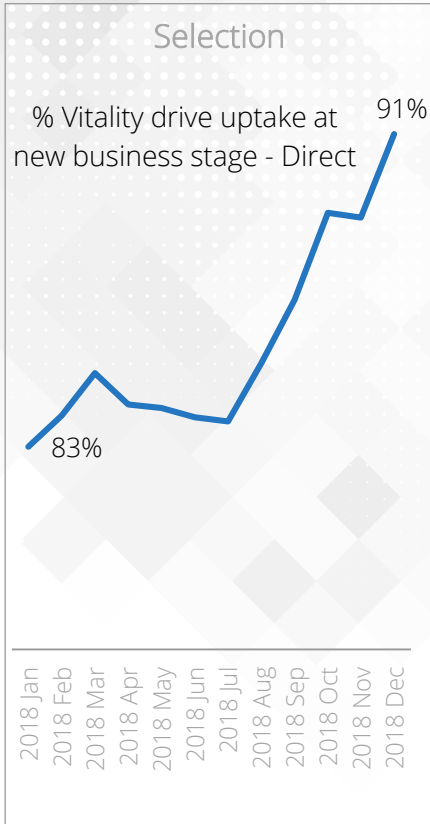
Source: Nielson Addynamix 2018

Potential to drive growth amongst advisers



Number of supporting advisers



Success of the model has manifested in the continued excellent quality of business

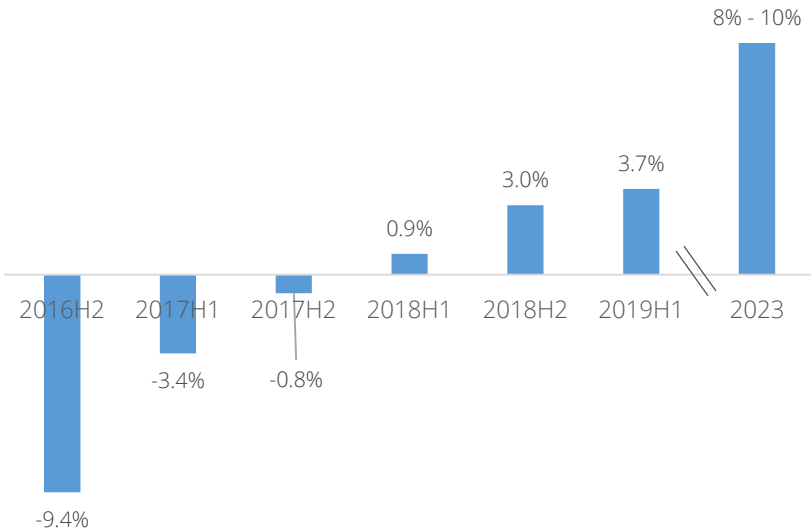


Sources of new business – Personal lines

Source of Sales	In force Market share (R55 bn)	Key competitors	Discovery market positioning
Direct sales	34%	  	40% of sales Opportunity to increase advertising spend
Generalist brokers	32%	  	50% of sales Strong overlap with Life/Invest brokers
Specialist/binder brokers and administrators	22%	   	Growing but small share of business Plan not to fully outsource
Motor dealers (F&I)	Included above	   	Historically poor loss ratios (anti-selection) Merc - first attempt at dealership business
Bank sales	>12%	  	Captive market with asset backed sales Opportunity once Discovery Bank offers home/vehicle finance

Towards 2023

Personal Lines Margin



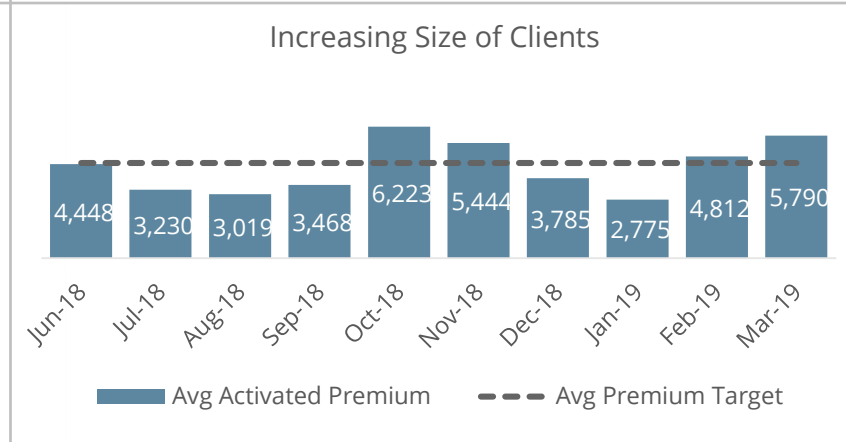
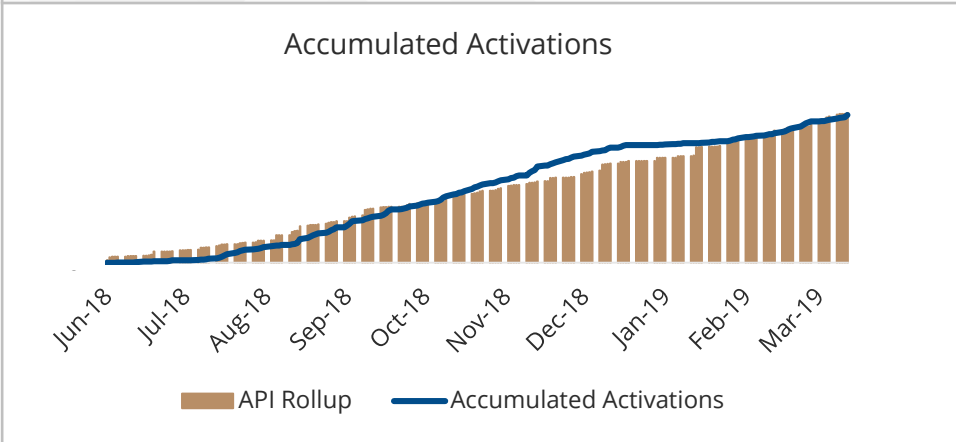
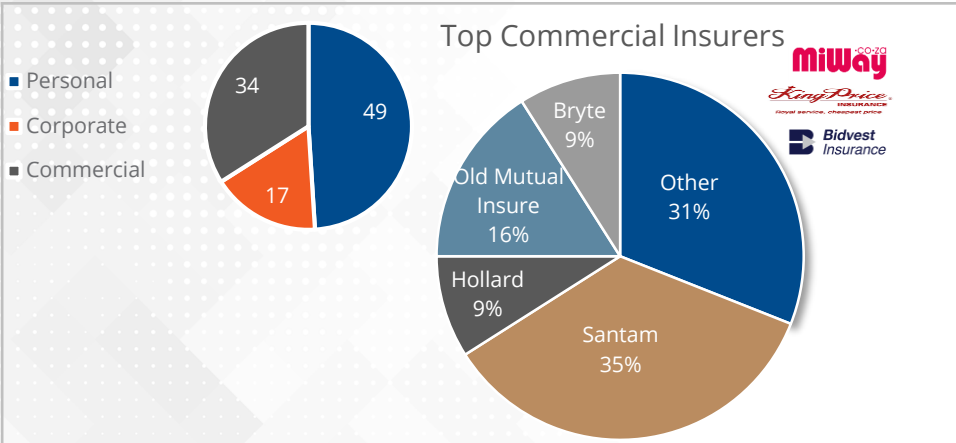
Strengths

- Differentiated product
- Only multi-channel insurer (under one brand)
- Strong brand recognition
- Leverage off existing Discovery distribution structure
- Vitality drive Shared-Value model delivering margin – motor loss ratio approx. 10% below market
- Product integration
- Superior data – relative to intermediated competitors
- No legacy systems

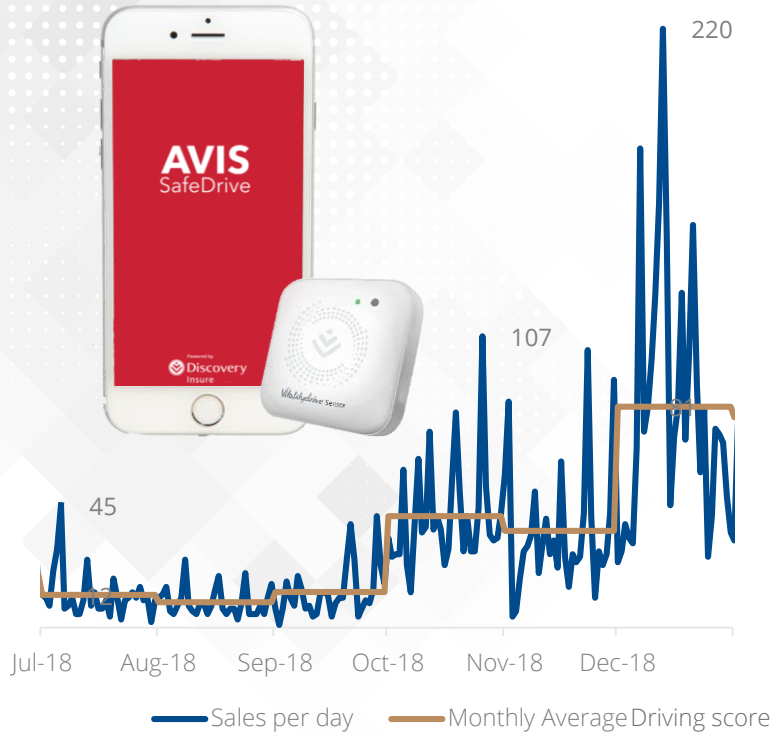
Opportunities

- Lower advertising spend than competitors
- Model not geared to allow broker's to administer own book (i.e. full binder) as per competitors
- Commercial distribution opens up personal lines business from specialist short-term brokers
- No captive lending book (compared to bank insurers)

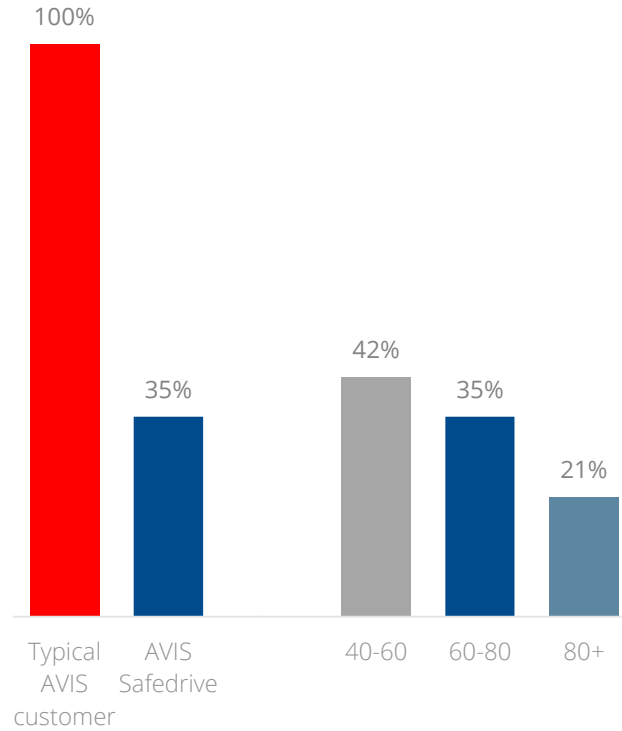
Discovery Business Insurance



Avis SafeDrive



Relative Damage cost per day



AVIS

ZERO LIABILITY WITH AVIS SAFEDRIVE

Drive safe and earn rewards.

Safety features include:

- ImpactAlert
- Panic button
- Severe weather alerts
- Access to 24-hour emergency call centre.

A daily score of 80 or more unlocks rewards like a free coffee, smoothie or meal, daily.

Active Rewards: Achieved 100 points on daily score. Overall rental score: 90.

Latest trip: From Belmont to Sanderson Park. 4.5 stars rating.

Partners: Nando's, vodafone cafe.

ASK YOUR RENTAL SALES AGENT FOR MORE INFORMATION.

Terms & conditions apply. avis.co.za/safedrive

Success of CMT demonstrates the global relevance of the model



>25
customers

>6
continents

WHITE-LABELED APP + WIRELESS TAG

TELEMATICS PROCESSING

BEHAVIORAL ANALYTICS

Investment into CMT by the SoftBank Vision Fund

 **Discovery** ▶
US\$5m

Development of the tag in collaboration with Discovery Insure



Validity drive mobile app

 **SoftBank** ▶
US\$500m

 **Discovery**

Retains a **10%** equity stake in CMT

~US\$55m profit impact in full year results

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Comprehensive insurance with unique benefits and features



Executive

Up to 50% fuel rewards

Classic

Up to 50% fuel rewards

Essential

Up to 25% fuel rewards

Dynamic

Up to 12% discount upfront

SAFETY

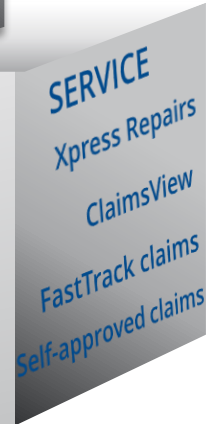
- ImpactAlert
- Crowdsearch
- Vehicle panic button
- Weather warnings

REWARDS

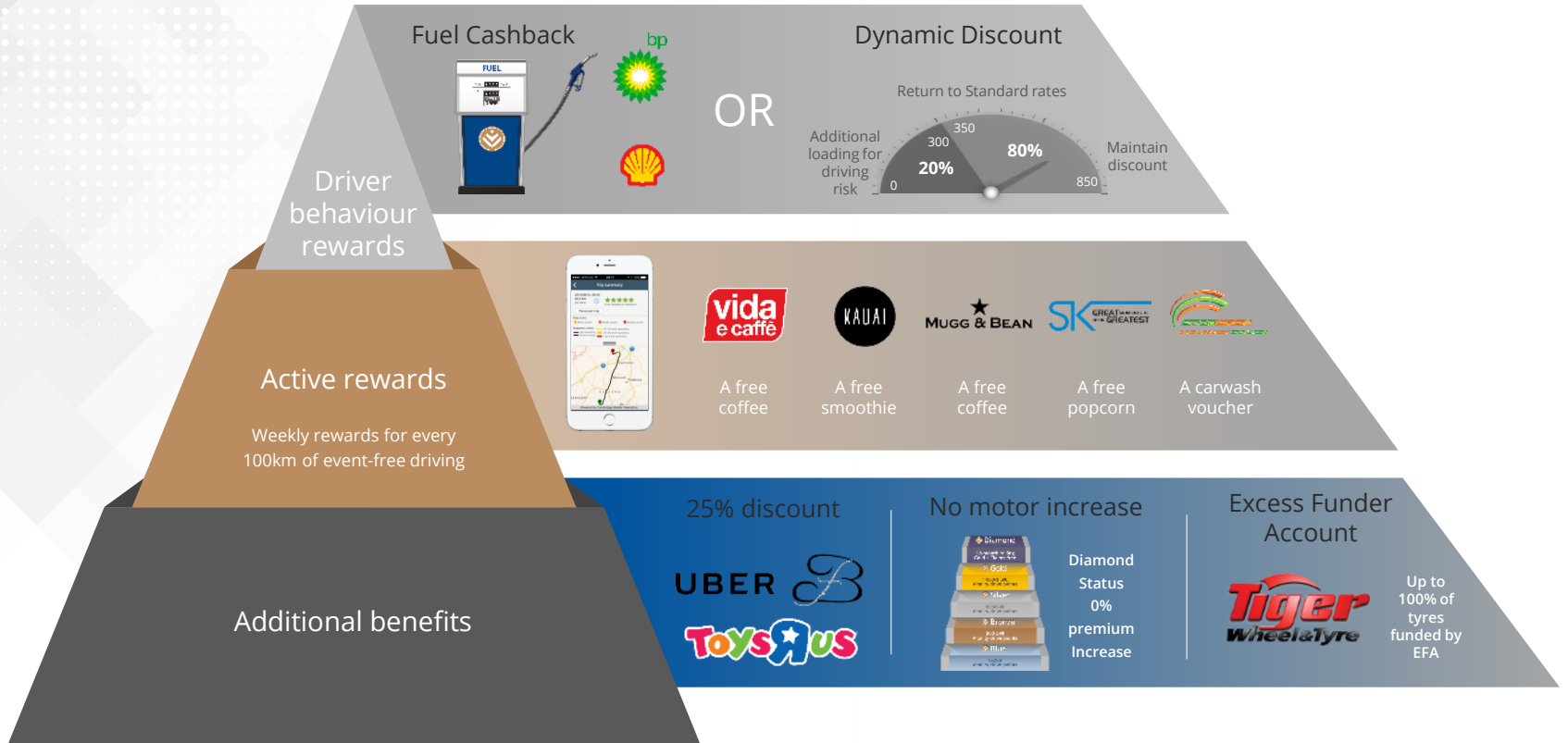


LINES OF BUSINESS

- Motor
- Buildings
- Contents
- Portable possessions

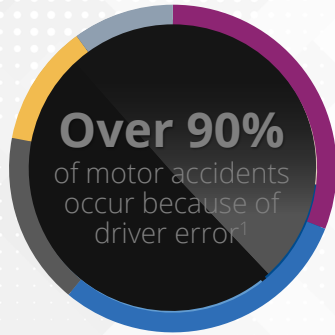


Rewards for good driving behaviour

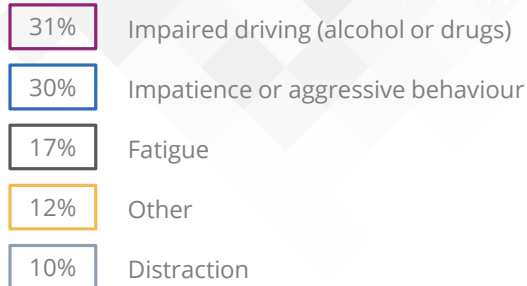


Case study: Active Rewards improves driving behaviour

Motor accidents caused by human behaviour



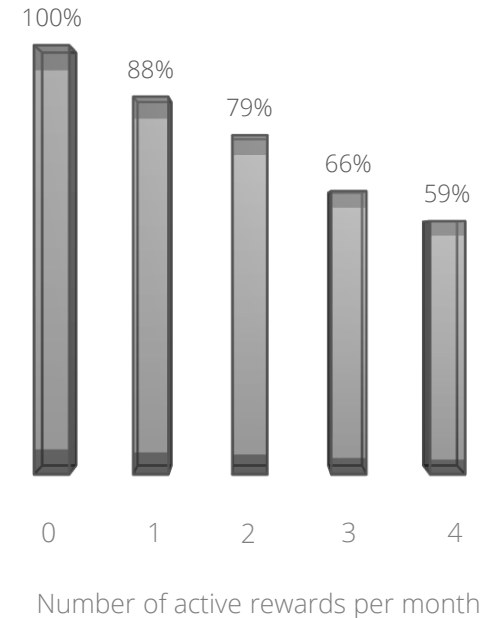
Main driver behaviours that cause motor vehicle fatalities²



Shared-Value model incentivises good driving behaviour



Active Rewards reduces harsh events by 41%



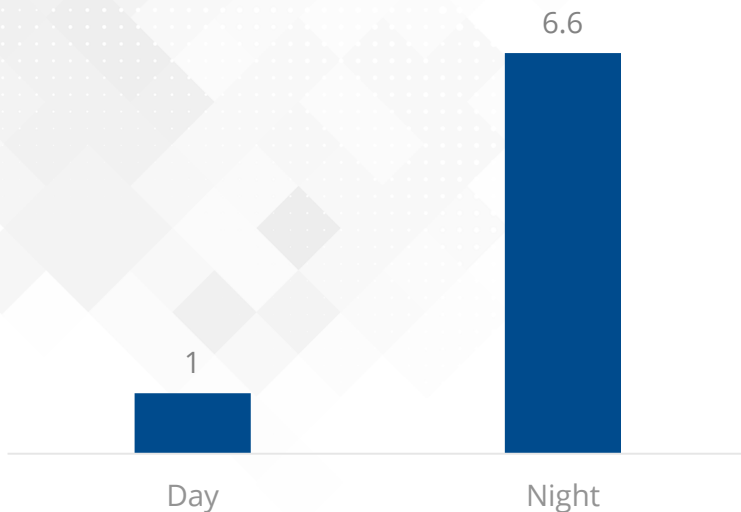
Case study: driver behaviour improvement



It is more dangerous to drive at night

Driving at night is almost **7 times** more dangerous than any other time of the day

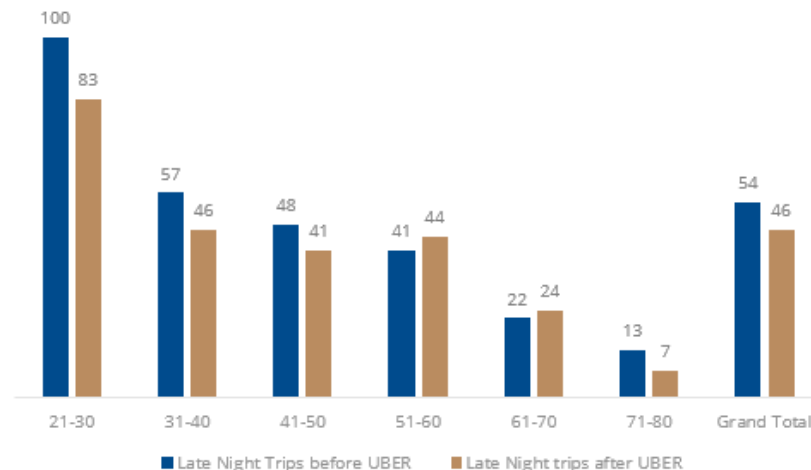
Relative number of accidents per trip



Uber users reduce late night driving

People who activate the Uber benefit reduce their late night driving

Relative number of night time trips



Agenda

01 | Business and financial overview

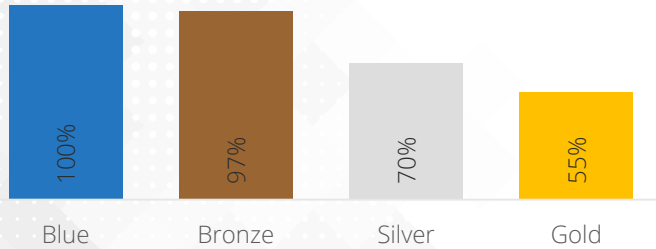
02 | Product offering

03 | **Loss ratio: Shared-Value model approach**

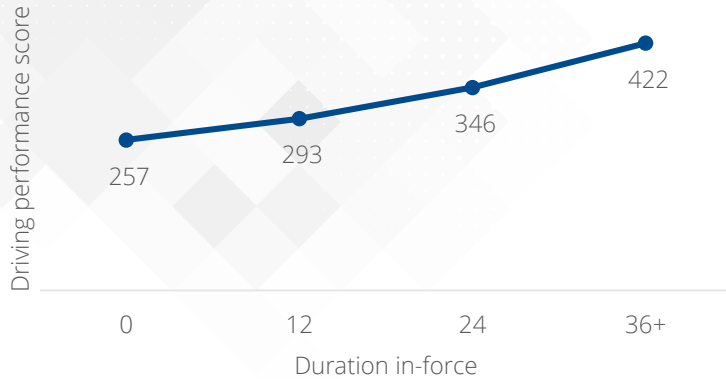
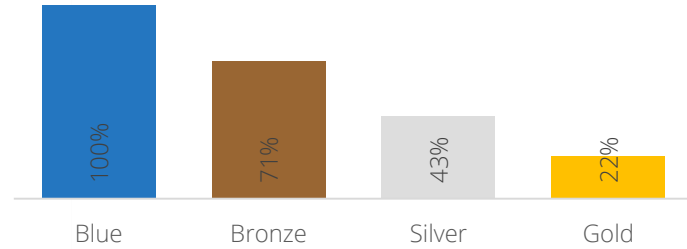
04 | Adding value to society

Motor claims – frequency

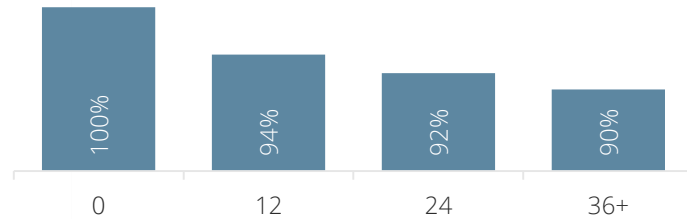
Relative claim frequency by Vitality status



Relative lapse rate by Vitality status



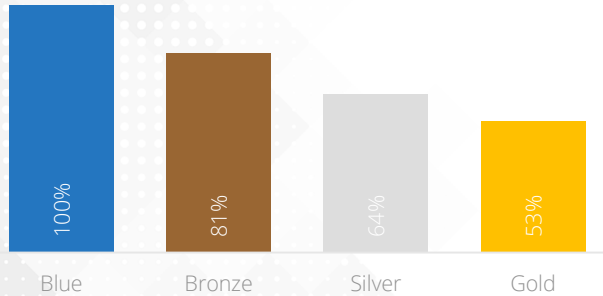
Relative claim frequency by duration in-force



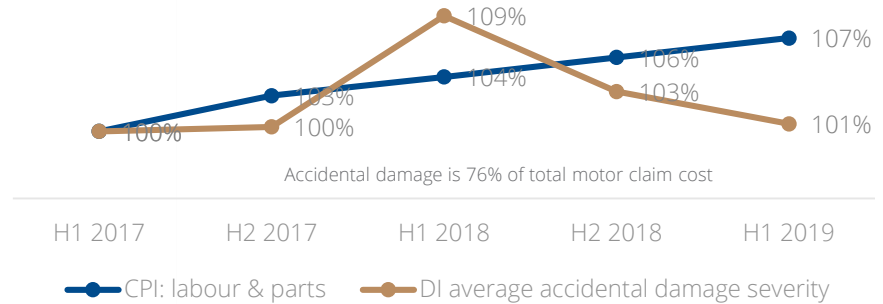
$$Loss\ ratio = \frac{claims}{premiums} = \frac{[motor + (recovery - liabilities) + buildings + contents + possessions + glass - excess] \times [1 - fraud\ rate]}{P_{t-1} \times (1+i) \times (1-l) + P_{adj} + NB\ policies \times premium\ rate}$$

Motor claims – severity

Relative motor claims severity



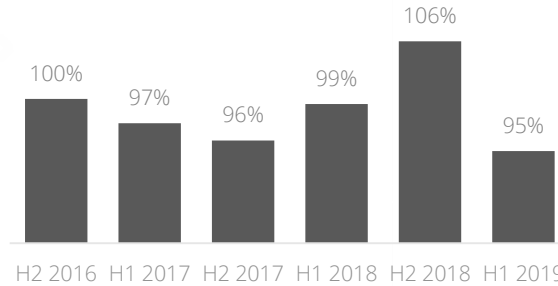
Average accident claims increase relative to inflation



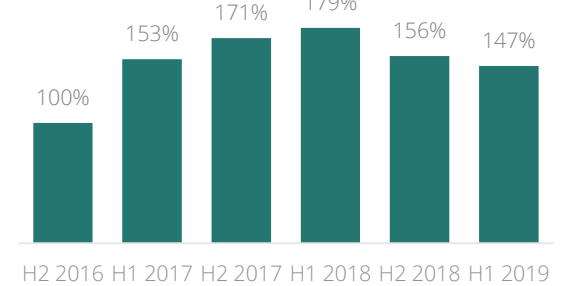
Relative average glass claims cost



Relative average car hire days



Relative % after-market parts usage



$$\text{Loss ratio} = \frac{\text{claims}}{\text{premiums}} = \frac{[\text{motor} + (\text{recovery} - \text{liabilities}) + \text{buildings} + \text{contents} + \text{possessions} + \text{glass} - \text{excess}] \times [1 - \text{fraud rate}]}{P_{t-1} \times (1+i) \times (1-l) + P_{adj} + NB \text{ policies} \times \text{premium rate}}$$

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Partnership with Community Active Protection (CAP)



Vehicle Recovery



Security Debrief and Analytics



Legal Resources



Discovery Insure has recently partnered with CAP to recover stolen vehicles and gather crime intelligence in order to create a safer environment for society as a whole. Their service is underpinned and enabled by CAP's Intelligence System Network and we have provided them with state-of-the-art technology to enhance the partnership.

Keeping children safe on our roads



Insure has partnered with ChildSafe to help about 800 transporters of school children in the Western Cape to drive better and enhance their road safety awareness.



Children are twice as likely to be killed on South African roads than any other part of the world. Discovery Insure will be launching "See Me" in Jan 2019 to ensure that children are visible as they walk to and from school in the dark.



Discovery Insure is a proud partner of Wheel Well



Insure has partnered with Wheel Well to provide second-hand car seats at a reduced cost to less well-off households.