

Introduction to VitalityHealth

Neville Koopowitz, CEO



Background, context and market position

Dynamics of the private medical insurance market

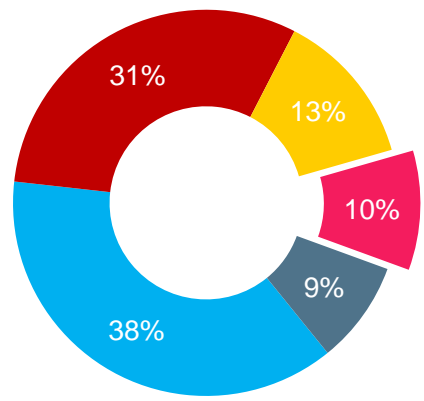
Market size

6.9 million insured lives

£4.1bn annual premiums

Funder concentration

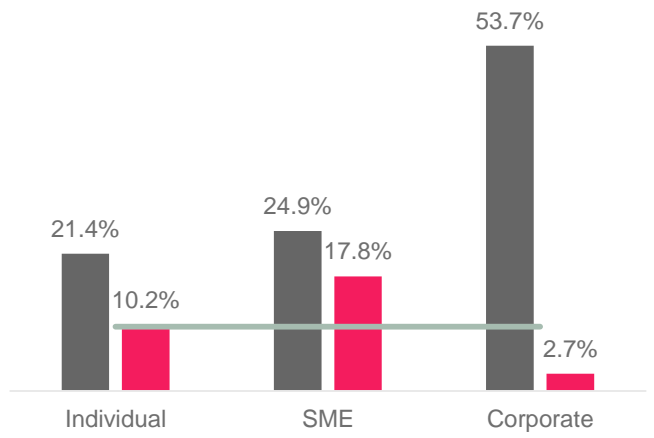
PMI funder market share



■ Bupa ■ AXA PPP ■ Aviva ■ VitalityHealth ■ Other

Share by market segment

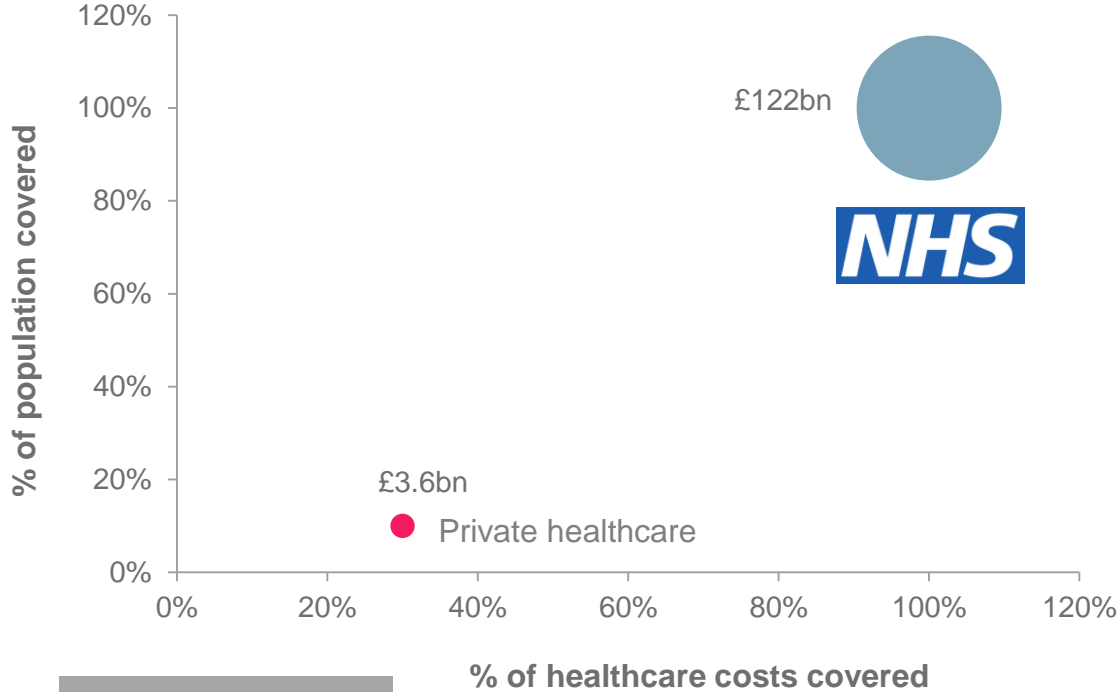
Market share analysis by market segment



■ Proportion of PMI market
 ■ Vitality market share
 — Overall Vitality market share

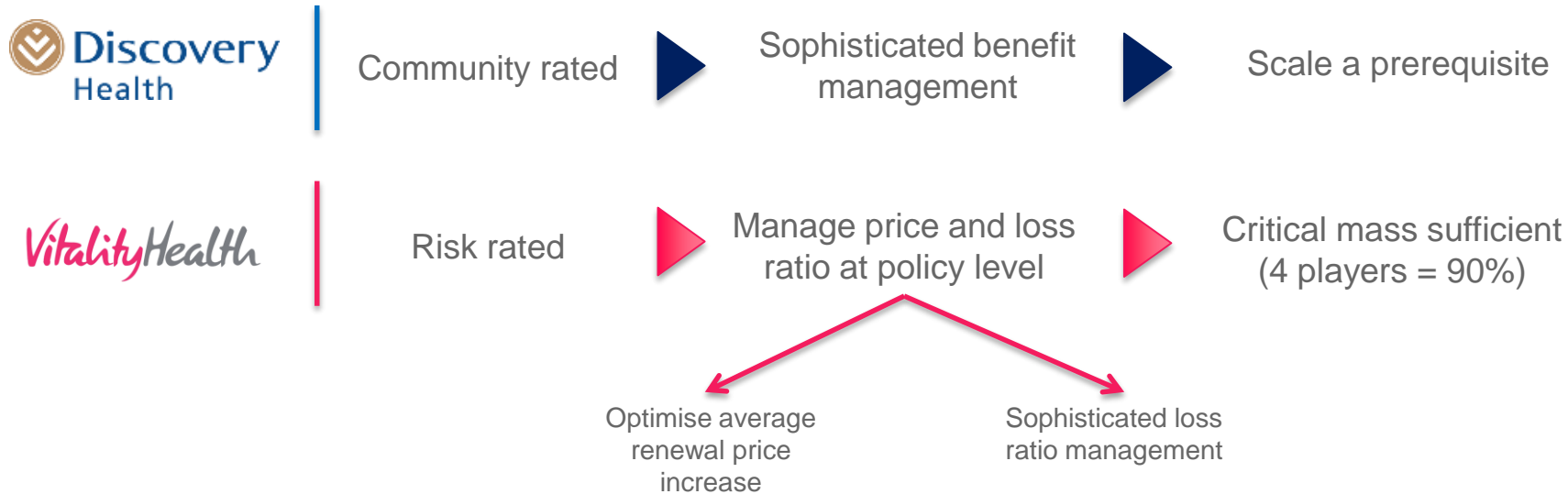
Understanding the role of private medical insurance in the UK

Comparison of public and private systems



Size of bubble correlates to spend

Comparison of the VitalityHealth and Discovery Health models

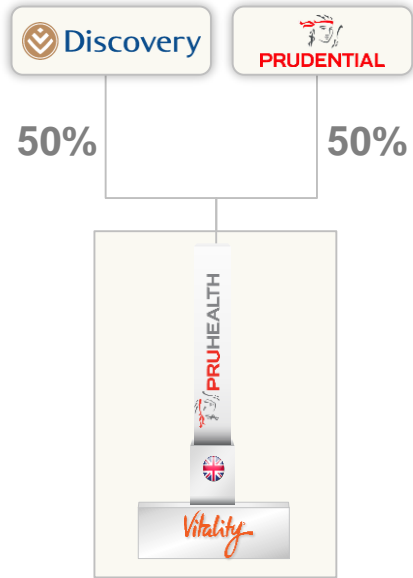


In effect, combining the best of clinical risk management techniques with general insurance principles

The history and evolution of Discovery in the UK

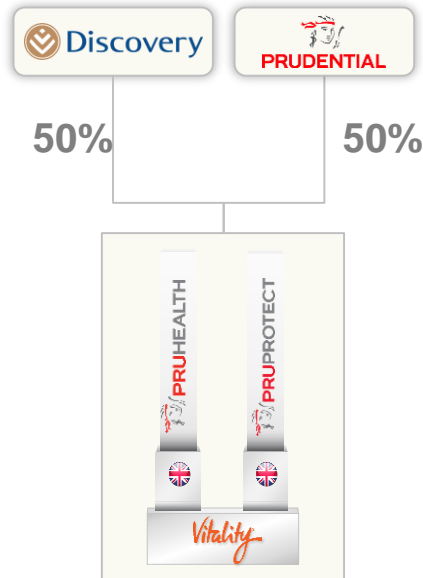
2004

Initial entry



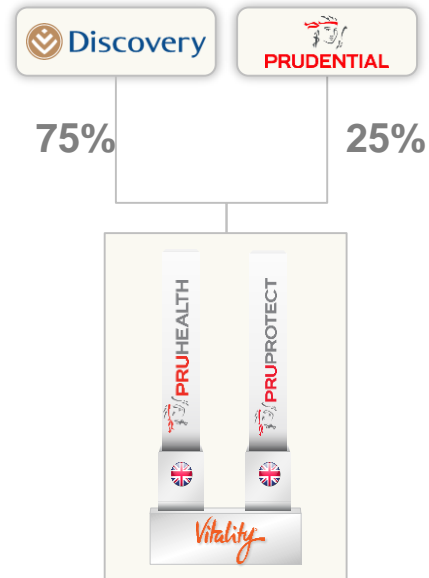
2007

Expansion into protection



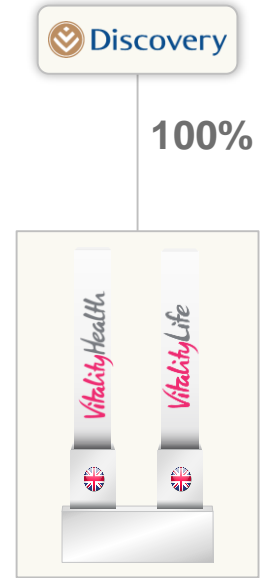
2010

Acquisition of Standard Life HealthCare



2014

Transition to full ownership



Overall ambition

To be the **best private medical insurer** in the UK, **delivering tangible value** to members, shareholders and society through our shared value insurance model.

Our focus will be on building a **unique and exciting retail brand** in the individual and SME markets, and a **differentiated approach to Corporate** business focusing on employee health and productivity.

By driving engagement with the Vitality programme, the business will deliver **industry-leading loss ratios and lapse rates**, resulting in **sustainable margins**, and a **return on capital of risk free + 10%**.

Application of the Shared Value model in the UK

The VitalityHealth product model lends equal weight to health promotion and sickness

BETTER HEALTH

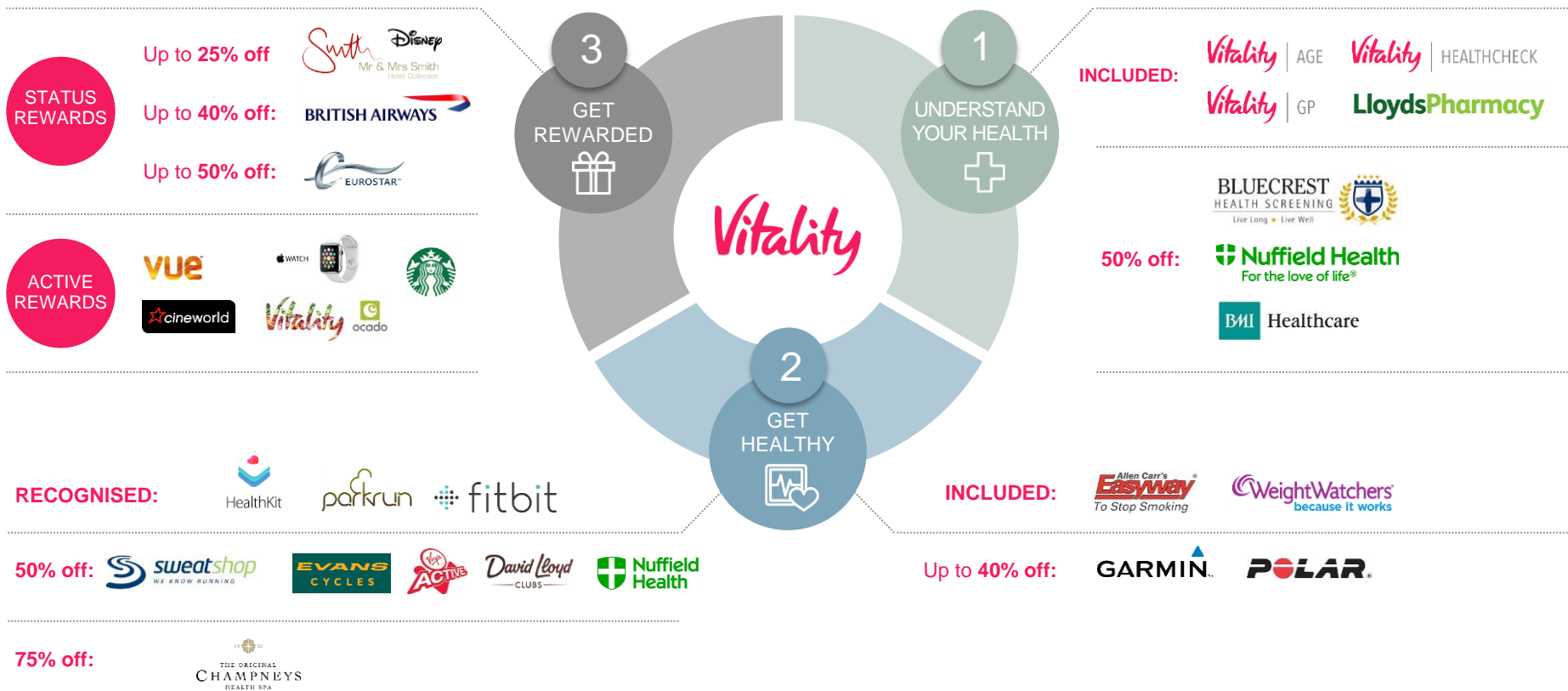


BETTER CARE



Better Health:

A mature version of the Vitality programme supports the model



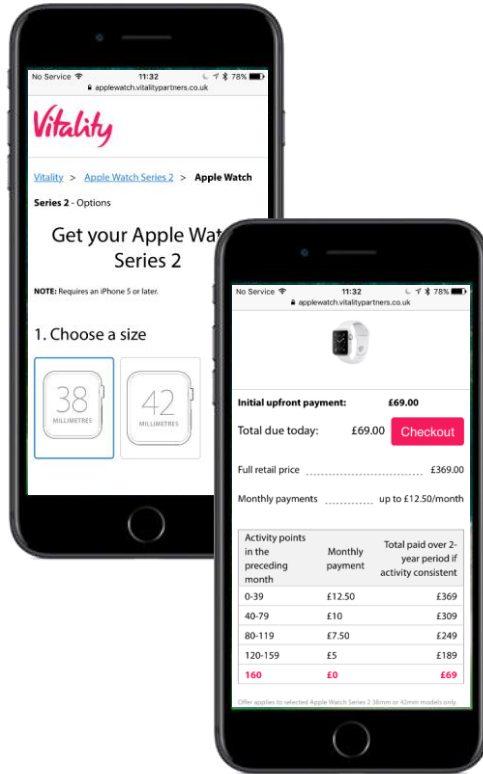
Better Health:

Vitality member journeys are delivered through seamless integration with leading partners

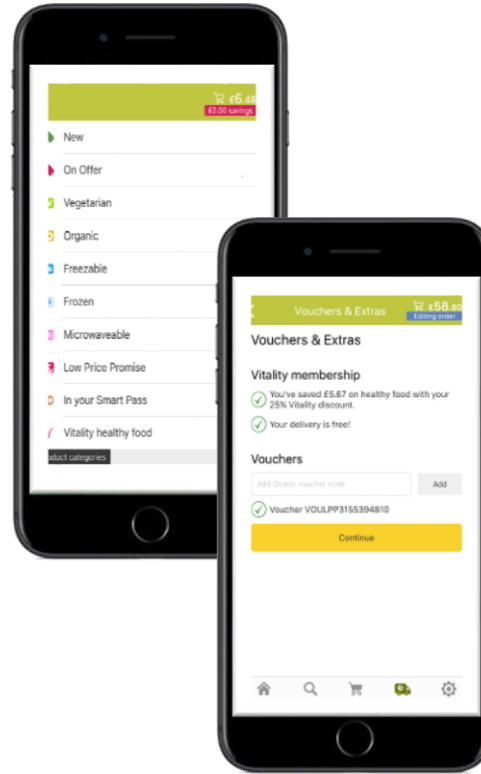
Starbucks



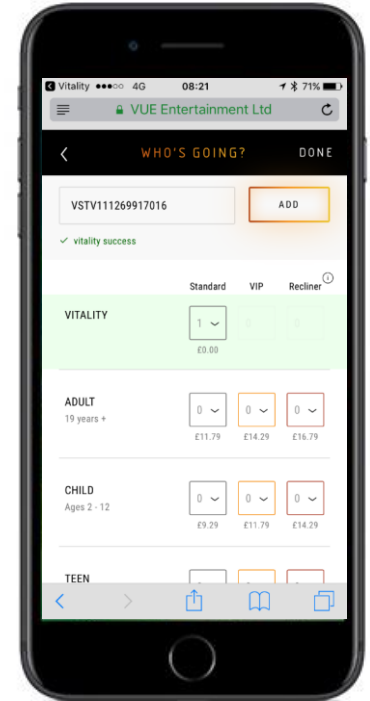
Apple



Ocado



Cineworld / Vue



Vitality engagement continues to grow and is encouraging healthier behaviours amongst our members



1/3 of Individual Direct members earn points on day 1 of their policy



5.2 million Starbucks drinks



220,000 Ocado deliveries



40,000 food packs



25 million point earning events in 2017



54,000 Apple Watches

£67 million in value in 2017



3.5 million gym visits in 2017



5.1 million movies



AGE

221,000 Health Reviews completed in 2017



44,000 Sweatshop purchases in 2017

Better Care:

A more intuitive care pathway that enhances member experience and reduces claims cost

Principles at the heart of Vitality's care system

- 1** *The doctor-patient relationship is sacrosanct with the GP being the key connector to the healthcare system*
- 2** *Members must have rapid access to independent, doctor-led pathways when ill with a focus on quality of care*
- 3** *Members have financial certainty when they claim*

Vitality GP



Vitality | CONSULTANT SELECT



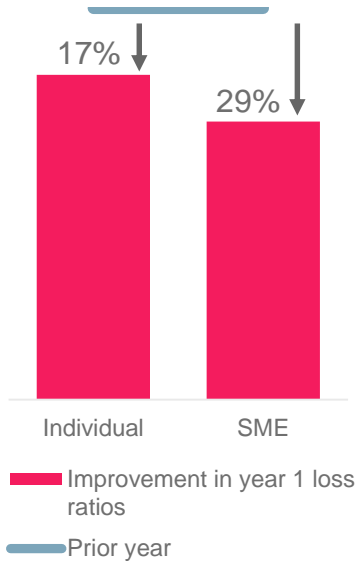
Alliance
Surgical plc



The care pathways have supported superior loss ratio performance

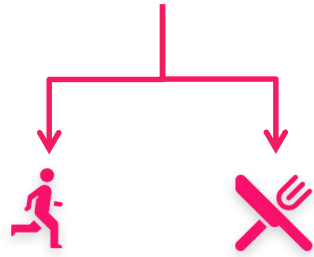
Selection

Improvement in year 1 loss ratio



Behaviour change

Reduction in risk factors over 1 year

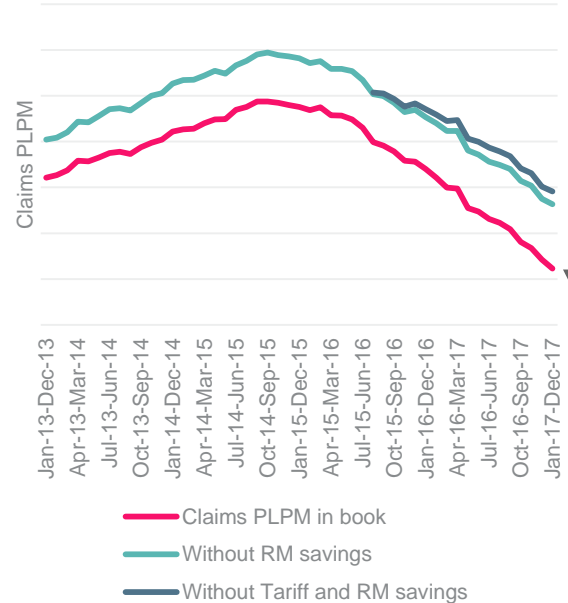


% at-risk in 2015/16 who moved into healthy range in 2016/17

50% **36%**

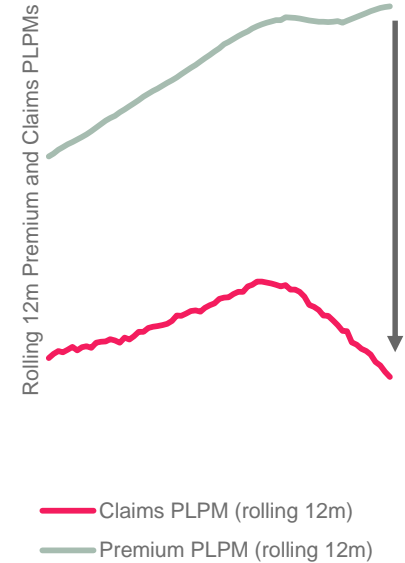
Risk management and tariff

Impact of Risk management and Tariff Savings claims plpm



Pricing

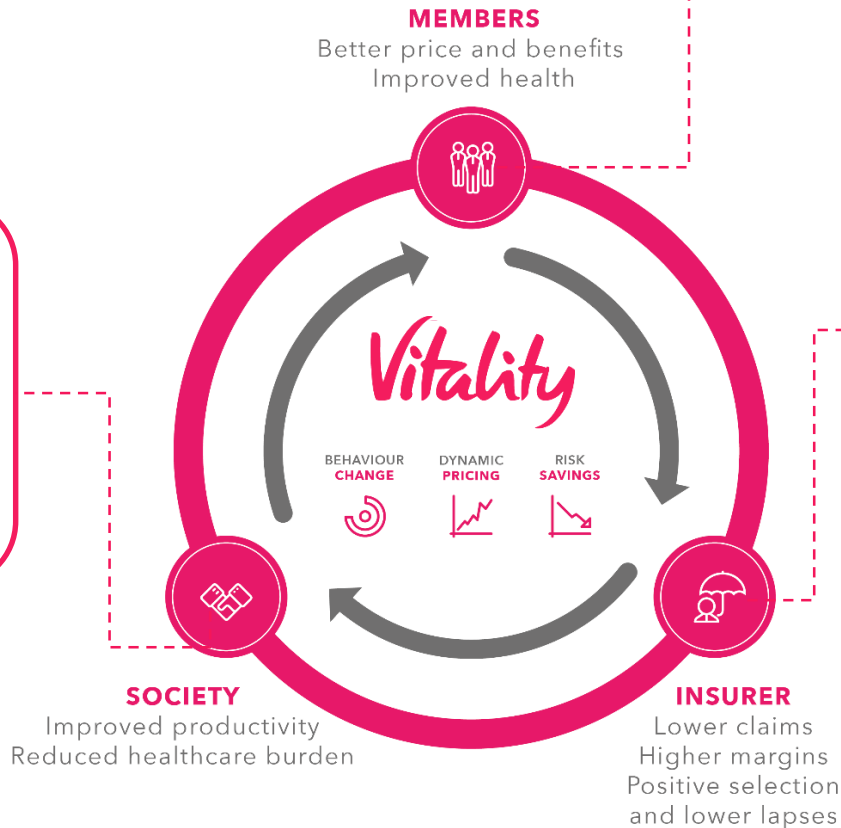
Total Rolling 12m PLPMs



Evidence from the Shared Value model in the UK


Productivity impact – absence reduction from moving members into range


-  **-24%**
-  **-18%**



£67m Vitality value provided to members in the past year

£210m Vitality value provided to members over 4 years

 **5.2m**

  **5.1m**

20% Lower claims cost for members who increased their engagement

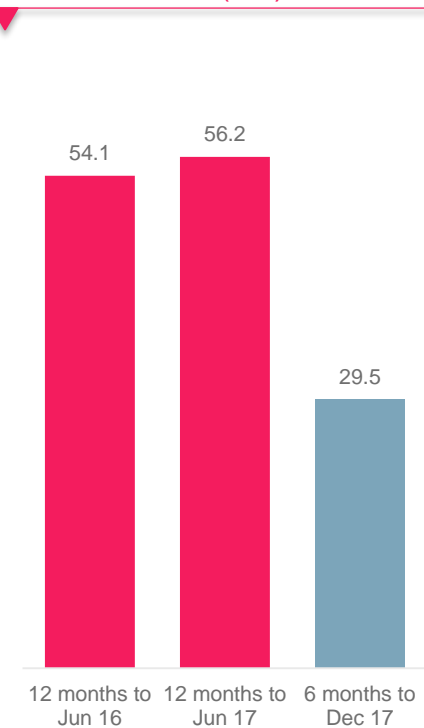
Lapse rate by Vitality Status

Vitality Status	Lapse Rate
Bronze	1.0
Silver	0.8
Gold	0.7
Platinum	0.5

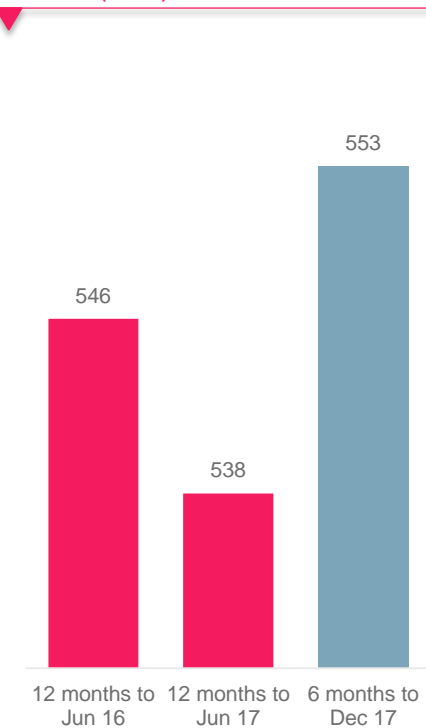
Business performance

Excellent financial performance across all key measures

New business (£m)



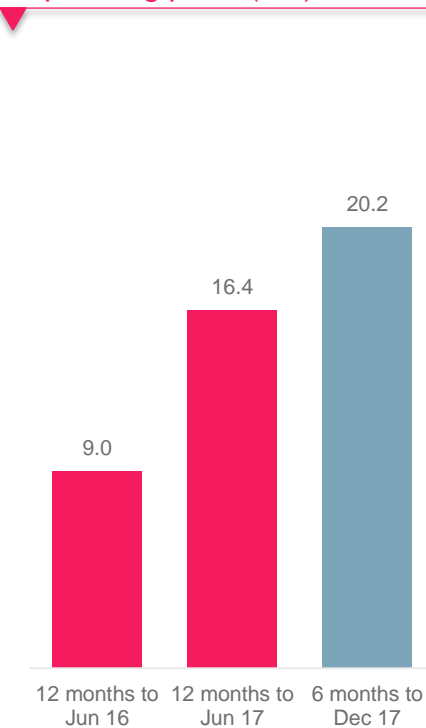
Lives (000)



Loss ratio (%)

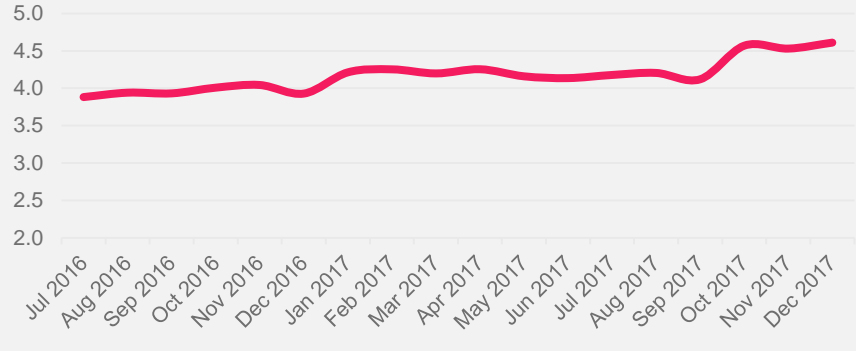


Operating profit (£m)

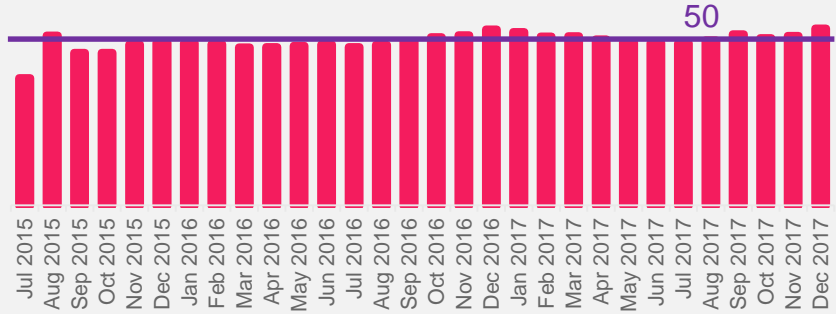


Operational areas have focused on the concurrent delivery of excellent service and efficiency

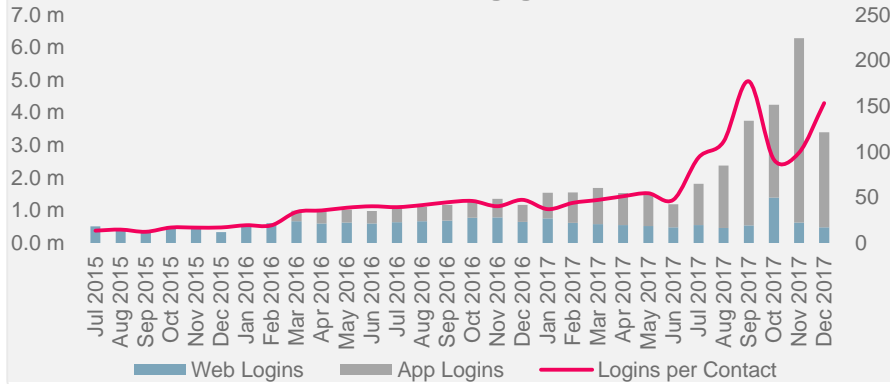
Customer Effort



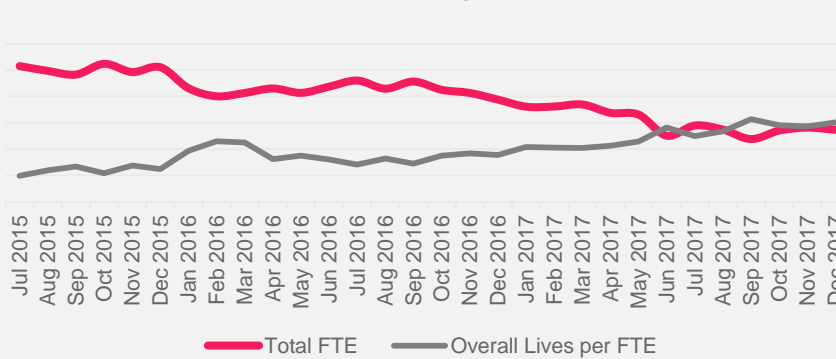
Claim NPS



MemberZone Engagement



FTE & Lives per FTE



Introduction to VitalityHealth

Neville Koopowitz, CEO

