



# FACT SHEET

# VITALITY GROUP

Vitality Group is responsible for Discovery's expansion of Shared-Value Insurance beyond South Africa and the United Kingdom. The business fully leverages the capabilities of Discovery and the Global Vitality Network and forms equity or contractual partnerships with

leading insurers to integrate Vitality and shared value with partner's insurance and financial services products in the markets where they operate. Vitality Group also offers wellness solutions to corporate clients and other industries in the United States.

Vitality Group operates in 17 countries (including China)

### EQUITY PARTNERSHIPS

中国平安  
PINGAN



### CONTRACTUAL PARTNERSHIPS

AIA Vitality



John Hancock | Vitality

Manulife Vitality

SUMITOMO LIFE Vitality

Equivida

Saludsa

IGILife Vitality

### VITALITY USA

Vitality™

Corporate wellness offering in the United States through Vitality USA

Vitality™

## Key data in our business

### THE NEW VITALITY ONE SOLUTION

is a globally unified systems architecture that markets can access, allowing rapid and economical deployment to our partners

### INSURANCE PARTNER MEMBERSHIP

↑ 91%

to approximately 800 000

and Vitality Group membership reached

1.56 million\*  
(excluding Ping An Health).

### VITALITY GROUP IS NOW PROFITABLE

which was achieved through strong growth and efficiencies across operations

\* Membership represents full Vitality members only.



## How shared value is implemented in Vitality Group

Vitality Group aims to grow the reach of the Shared-Value Insurance model around the globe. This model, pioneered in South Africa, is replicated in global markets to offer partner insurers the same value delivered in Discovery's primary markets.

In global markets, Vitality Group integrates tailored Vitality programmes with partner insurance products to drive additional value in areas our partner insurers have identified. We do so through growing the products and business lines that we integrate with, and by continually improving the value proposition.

Vitality Group is supported by the Global Vitality Network to create an ecosystem where the assets are available to all markets and the value generated from positive selection and behaviour change is shared among the participants.





VITALITY GROUP

# OPERATIONAL REVIEW



## 2018 performance

Vitality Group achieved strong growth efficiencies, which were driven by new business growth and from merging the United States and South African operations.

**Vitality Group Maiden profit (excluding Ping An Health)**

**US\$2.6 million**  
**(R34 million)**

compared to a loss of \$8.5 million (R115.6 million) in 2017

**Membership (excluding Ping An Health)**

**↑ 25%**  
**to 1.56 million clients**

**The Vitality-integrated insurance premiums**

**↑ 78%**  
**to US\$390 million (R5 billion)**

**Ping An Health revenue**

**↑ 80%**  
**to RMB 4.9 billion**

**Discovery profit from Ping An Health**

**↑ 279%**  
**to US\$4.4 million**  
(net of Discovery costs)

## Our strategy and differentiators

Our business model is centred on these key pillars:

Partner selection and on-boarding

Creating a business plan for each market and the different lines of business

Ensuring efficient and timely implementation in each market

Applying assets and learnings to drive success

Continuous innovation and improvements

Using data and actuarial capabilities throughout the process, enabled by the technology platform

# The key focus areas for our business this year

The business has performed well and is positioned for growth. We continued our focus on our broad strategy and worked on the following:

01

### EXPLOIT LATENT POTENTIAL

by increasing the three measures below:

**Vitality attachment**

- Number of lines of business and products integrated with Vitality Shared-Value Insurance

**Vitality takeup**

- Number of clients choosing Vitality-integrated products vs traditional insurance

**Engagement**

- Number of clients actively engaging with Vitality as well as our value proposition

02

### NEW INSURANCE PARTNERS

Adding new partners

- 15 new partners identified
- 11 discussions to partner
- 7 developing business case
- 4 completed business case
- 3 signed intention to partner
- 4 new partnerships

**VITALITY ACTIVE WITH HANNOVER RE**

Vitality Group's success with its insurance partnerships and Hannover's existing global reach have resulted in significant opportunities, which are being developed. The venture currently has four committed partners who have signed agreements and will be taking Vitality into their markets before the end of 2019. There has been great progress in developing a strong sales pipeline through Vitality Active.

03

### ADJACENCIES

Developing and rolling out innovative offerings and Vitality One

04

### OPTIMAL USE OF VITALITY PERFORMANCE DATA



The strategy is developing well and there are more markets to be signed on in the next 12 months. Vitality Group is also working to expand the Active Rewards with Apple Watch to other channels.



PARTNERSHIPS

中国平安  
PING AN

China

Market launch: 2010



Global Fortune 500\*  
ranking: **29**

Revenue (US\$bn): **144.2**

**Ping An Health**

Launched the Ping An Health App with excellent uptake.



Australia

Market launch: 2017



**myOwn**

Generated AU\$22 million in new business in the first year of operation.

We partnered with AIA and a local Australian Health Insurer in an equity partnership to launch myOwn Health insurance integrated with Vitality during July 2017. myOwn made good progress during its first year of operations. Significant effort is being made to take the product and distribution learnings into 2019 and help develop and grow the business to its potential.

AIA Vitality

Pan Asia

Market launch: 2013



Global Fortune 500\*  
ranking : **295**

Revenue (US\$bn): **38.3**

**AIA**

Launched AIA Vitality in Korea during August 2018.

AIA Vitality, the most mature Vitality Group insurance partnership, continued its exceptional performance with strong growth in new business, membership and engagement. As at 30 June 2018, Vitality is integrated with over 60 AIA products and live in 10 AIA markets. Over the period, new business Annualised New Premiums (ANP) grew by 85% and Vitality membership grew by 110%. ANP is an internally-used measure of new business sales or activity for all entities within AIA.



Europe

Market launch: 2016



Global Fortune 500\*  
ranking: **59**

Revenue (US\$bn): **100.6**

**Generali Vitality**

Partnered with Germany's biggest distribution channel, Deutsche Vermögensberatung.

Good progress was made over the year to expand the distribution channels and enhance the products in these markets. Following the launch of Vitality to the Deutsche Vermögensberatung network, Vitality membership grew by 40%.

\* 2017 Global Fortune 500 list.

*John Hancock* | Vitality

Manulife Vitality

### US and Canada

Market launch: 2016



Both John Hancock Vitality and Manulife Vitality demonstrated strong sales growth, increased engagement and an uptick in NPS over the period. The increase in sales was achieved through the launch of new Vitality-integrated products, increasing financial adviser and consumer adoption, and the strong performance of the direct to consumer channel in the United States.

Global Fortune 500\* ranking: **241**

Revenue (US\$bn): **44.9**

### John Hancock and Manulife Vitality

Membership grew by 118%.

### Vitality USA – US Corporate Business

Vitality USA is making significant progress in extending its Apple Watch and Active Rewards offering beyond employers.

Vitality USA also extended its platform through their Gateway offering to give companies access to a curated list of health applications and services. The business is set to launch new wellness initiatives, which include an integration with the Apple Watch Series 4 for Active Rewards and the Vitality Healthy Mind programme, which will focus on mental health and wellbeing.

We envisage substantial growth in Vitality USA as a result of these developments.

SUMITOMO LIFE Vitality

### Japan

Market launch: 2018



Global Fortune 500\* ranking: **350**

Revenue (US\$bn): **33.8**

### Sumitomo Life Vitality

Launched shortly after the end of the period and undergoing preparations to take Sumitomo business onto Vitality One.

*IGILife* Vitality

Saludsa

Equivida

### Ecuador and Pakistan

Market launch: 2019



### Vitality Active

Signed up four new partners.

Equity partnerships

Contractual partnerships





# Working with Ping An Health to support the growth strategy

The market for health insurance and private healthcare in China has continued to grow. China's private health insurance coverage and premiums per capita are still significantly less than those of advanced industrialised economies. China leads the world in fintech adoption, which has resulted in the accelerated rise of premiums from health insurance products distributed through the Internet. In line with this, Ping An Health's Internet product showed exceptional growth and performance. Ping An Run Vitality, integrated with Ping An Life, has over four million members with an engagement rate of 68%.

**Discovery has a 25% equity partnership with Ping An Health. New business**

↑ 87%  
to RMB 2.9 billion (R5 738 million)

**Written premium**

↑ 80%  
to RMB 4.9 billion (R9 695 million)

The business fundamentals remained strong, with lapses meeting expectations and the overall loss ratio performing better than expected. Over the past two years, the business mix moved significantly towards individual retail products. The Group high-end and individual mid-end products continued to make good progress. No additional capital is required to support the expected growth and statutory capital over the next three years. Discovery has provided up to R500 million in its existing capital plan for Ping An Health to maintain its A-rated reinsurance rating.

## GROWTH IN DISTRIBUTION CHANNELS AND TECHNOLOGY FOR CONTINUED GROWTH AND EFFICIENCY

Ping An Health successfully maintained its reinsurance licence for national distribution of products. This enables Ping An Life agents to sell Ping An Health products in regions where Ping An Health does not have an insurance licence. From this, Ping An Health gains access to underwriting profits through a reinsurance agreement with Ping An Life. In addition, Ping An Health is working on initiatives to develop further distribution channels and expand into other cities and provinces.

The aim is to use technology to become China's largest health insurer.

## PING AN HEALTH APP

The Ping An Health App supports the distribution of health insurance products and member servicing. It has 8.5 million registered users, with 10 000 new users registering daily. Premium revenue sold directly on the app exceeded RMB 100 million in the second half of the 2018 financial year. It was the first Internet insurance app to reach breakeven within two years of its launch and is widely recognised in the industry.

## ENHANCING PROTECTION FOR CANCER THROUGH ALL CHANNELS

Ping An Health launched a cancer protection product on the Ping An Health App, providing cover for consultations, tests and for in- and out-patient services. This product aims to encourage younger people to download the app and buy products for their parents in the target age range of 45+. A similar product, for people up to the age of 70, is also for sale through all other channels, including through Ping An Life agents. Together, these products have achieved more than RMB 1.5 million in sales each day since their launch.

## OUTLOOK

**Vitality Group's overarching objective is to grow its global footprint by continuing to deliver on Shared-Value Insurance outside Discovery's primary markets. To achieve this, we will focus on the following:**

### GROW BUSINESS

- Continue to invest Discovery's assets and knowledge in Ping An Health and myOwn to build quality health insurance businesses.
- Develop products in Ping An Health that meet the needs of the rapidly developing market, and build the distribution capabilities and reach.
- Deepen the penetration of Vitality-integrated products by continuing to offer compelling Shared-Value Insurance offerings.
- Convert the sales pipeline into partnerships to launch Vitality Active under Vitality Group's partnership with Hannover Re.
- Continue to pursue adjacent revenue growth opportunities in the United States.

### IMPLEMENT THE CURRENT PIPELINE OF INNOVATIONS

- Ensure that the technology development to create Vitality Active and Vitality One is of high quality and results in exceptional performance.
- Migrate our insurance partners to Vitality One and increase the number of partners on the platform over the next three years.
- Enhance Vitality Group's value proposition through the launch of a series of Vitality innovations to address health risk factors such as mental wellness, weight management, nutrition and ageing.

**Q Expand on the investment in Vitality One and which partners will use this technology?**

**A** Vitality One, supported by the Global Vitality Network, offers a unified technology architecture supporting existing markets and roll-out into new markets. We invested US\$35 million in its development to date. Vitality One is highly configurable to allow the efficient and effective roll-out of innovations to existing and new markets. The first insurance partner to use this technology is Sumitomo Vitality. We are working with other insurance partners to access the technology and new partners will use this technology from the start. There is ongoing investment to add more features, functionality and partners.

**Q How much can Vitality Group expand? What are the areas for growth and which market is most exciting or shows the most potential?**

**A** Although we can't provide a numerical forecast, we are excited about the growth potential of Vitality Group within its existing partners, new markets and adjacent lines of business. In the medium-term, Vitality Group is driving growth within its existing partners by increasing the number of products Vitality is integrated with, increasing the value proposition to drive higher selection of integrated products and driving member engagement in the product. Over the longer-term, the addition of new partners in new markets and additional lines of business across all partners will be the growth engine.

**Q Expand on partner contract terms, the economics, duration of contracts and termination clauses.**

**A** Our partner agreements are subject to confidentiality and details of the various constructs cannot be disclosed. We have equity partnerships (investments) with Ping An Health and myOwn Health Insurance where we directly participate in the earnings of the business as a shareholder. Our contractual partnerships with, for instance, AIA and John Hancock, are all unique to ensure it is optimal for the respective partnerships and markets. We place high value on partnering with like-minded insurers who are committed and believe in Shared-Value Insurance with Vitality for long-term value creation for our partners' clients, our partners and our business. The contracts are long-term duration, usually 10 – 20 years with renewal terms. Our intellectual property, brand, Vitality performance data and capabilities are well protected and we participate in the value generated through a combination of fixed and variable fees linked to the success of the partnerships. In the event of a partnership terminating, we will earn on the value created during run-off and we have secured appropriate market re-entry terms.

**Q Expand on competitors in this market.**

**A** Competitors in this market are increasing and our offering is often compared with new health apps or health tech companies. While we invest significantly in and employ technology in expanding shared value and measuring insurance risk, our work is to enhance the value of insurance and to help people adopt positive behaviour change to improve lives and lower the risks that are associated with higher insurance premiums.

**Q How do you protect your intellectual property from competitors and from partners?**

**A** The Discovery Group is focused on protecting its intellectual property. The mechanisms and processes that are in place to protect general intellectual property are also applied strictly to the protection of Vitality's intellectual property.

Vitality has collected data over an extended period. The principles of Vitality and its related products are fairly straightforward. However, the level of analytical complexity that contributes to predicting behavioural changes on mortality and morbidity curves is profound. Over time we have been able to understand:

- clinical outcomes;
- which incentives shift behaviour and to what extent;
- how the clinical outcomes and shifts in behaviour play out actuarially; and
- most importantly, how to price these extrapolations.

Through Vitality, the Group has gained tremendous insight and depth of knowledge, and our resource capability has become extensive. The Group protects this valuable intellectual property by:

- filing trademarks and patents, where appropriate;
- ensuring that comprehensive non-disclosure agreements are in place for all interactions we have with any third party;
- contracting comprehensive licensing arrangements with our partners. These licensing arrangements address the ambit of usage rights granted to our partners during the currency of our agreements and the consequent protection on and after termination; and
- managing access rights to source code and ensuring that our employees sign strict confidentiality agreements.