



FACT SHEET

VITALITY SA



Vitality is the largest health-promotion programme globally, with 1.9 million lives positively impacted in South Africa in 2018. Vitality underpins all Discovery's businesses and supports them by enabling product integration and cross-selling opportunities across the portfolio of businesses and products.

Vitality was built on the understanding that insurance risk is dependent on behaviour, which changes over time. Drawing on behavioural economics to support and incentivise people, Vitality helps people to improve risk-related lifestyle behaviour and consequently their health.

This health-promotion cycle, when integrated with insurance, allows for the continual assessment of insurance risk to dynamically price insurance based on engagement with Vitality and the resulting health improvement. Premium discounts and other benefits act as motivation to increase engagement in behaviour that improves health. This model, with Vitality as its foundation, manifests in Shared-Value Insurance and provides material benefits to clients, insurers and society.

Key data in our business

VITALITY INCREASES PHYSICAL ACTIVITY

Since the launch of Vitality Active Rewards

there has been an increase in physical activity days

↑ 39%

and an increase in meeting higher exercise targets

↑ 37%

VITALITY HELPS CREATE HEALTH AWARENESS

16% increase in the number of members completing Vitality Health Checks in the current financial year

350 000

Vitality Health Checks completed in 2017

10% increase in the number of members completing a Vitality Fitness Assessment over the period

100 000

Fitness Assessments completed over the period

SUCCESS OF VITALITY ACTIVE REWARDS

Vitality Active Rewards is one of the most successful

Vitality benefits ever, with take-up exceeding

400 000

ENCOURAGING PHYSICAL ACTIVITY

Team Vitality, Discovery's virtual running and cycling club,

has seen an increase in membership in the 2018 financial year of approximately

19%

growing to over

17 000

members

Team Vitality remains the largest running club in the country and in 2018 had the highest Comrades participation of any running club in the country

28 million

gym visits

62 million

exercise days

VITALITY REWARDS MEMBERS FOR LIVING WELL

There were 431 325

HealthyFood policies active in June 2018

20 million

HealthyFood baskets

1.35 million

flights booked

2.67 million

movies watched

5.26 million

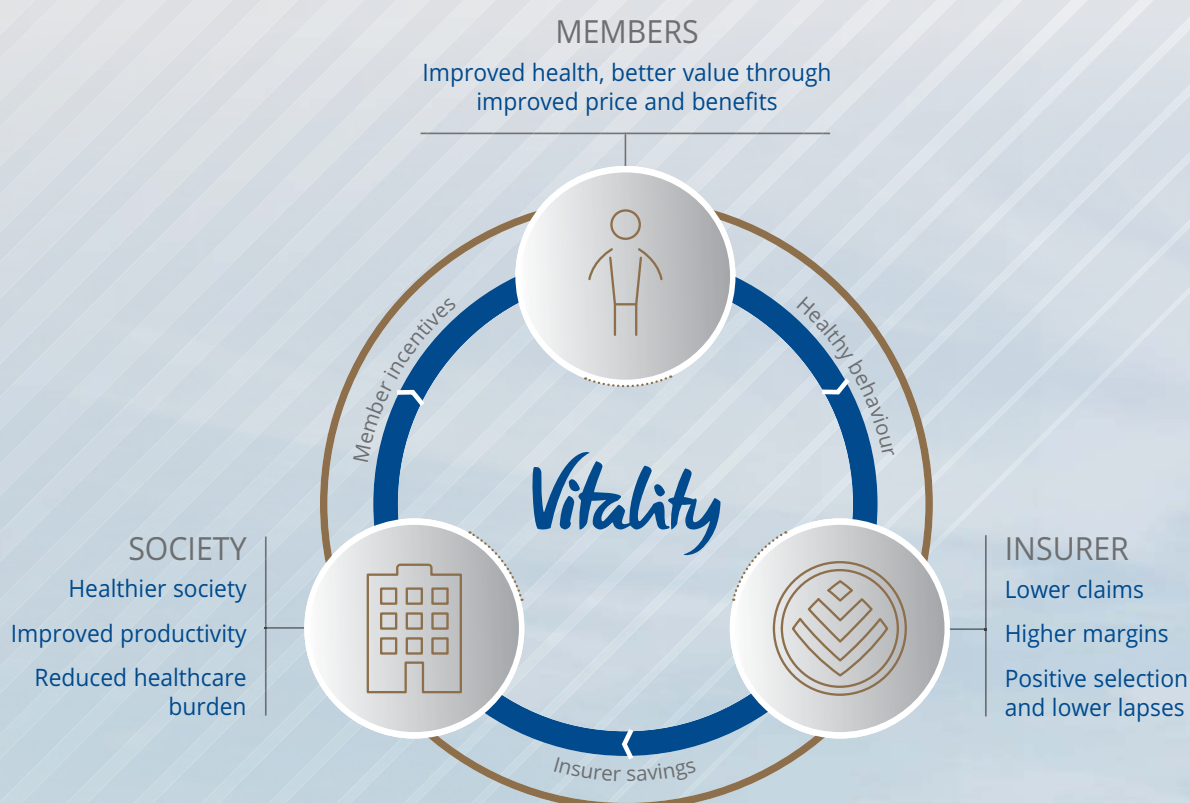
Active Rewards earned

How shared value is implemented in Vitality

Vitality guides, incentivises and provides clients with access to a broad range of wellness and prevention paths. It measures engagement clinically and actuarially, enabling the dynamic pricing of insurance products based on mortality, morbidity and health risks.

This dynamic pricing enables Discovery to offer clients pricing based on their individual risk profile at inception, and to have their premiums increase or decrease based on their Vitality engagement.

The model creates more value through lower price points and better benefits; attracts better lives; encourages positive behavioural change; and leads to lower claims rates with better selective lapsation. Vitality gives the business a unique price competitiveness and a significant margin uplift, while it continues to deliver better health and value for clients, superior actuarial dynamics for the business and a healthier society at large.





VITALITY SA

OPERATIONAL REVIEW



2018 performance

Vitality has

1.9 million
members in South Africa

Vitality sales

↑ 10% year-on-year
in the last quarter

The introduction of new campaigns, and Vitality Move, Vitality Active and Vitality Purple contributed to growth

Members with Vitality Active Rewards received more than

three million rewards

More Vitality members are sharing the value of their rewards by donating it to various social causes, with donations doubling as a proportion of total rewards redeemed

Vitality continues to show a positive effect on overall lapse rates across

Discovery products, as well as on member health and healthcare costs

Our strategy and differentiators

Vitality's vision is to be the world's best incentive and behaviour-change programme.

We aim to achieve this by being at the centre of Discovery's business model to improve morbidity and mortality, and to reward clients accordingly.

The key issues that impacted our business this year

1

Ensure continued growth through increased membership and new offerings

The number of lives on Vitality has remained fairly stable during the year, with increased take-up among the majority of Discovery Life policyholders. The take-up of Vitality among members on the higher end medical scheme plans has also remained consistent. Discovery Health has grown its reach in the closed medical scheme market; however, many of these medical scheme members choose not to join Vitality due to limitations in affordability. This is also the trend in the membership growth on plans for the lower-income segment, for example KeyCare or Smart Plans. Affordability concerns have resulted in lower new business growth for Vitality and we are addressing this, for example through the launch of Vitality Move and other Vitality products.

To drive additional sales and membership, various marketing and sales initiatives were implemented. This resulted in a boost to sales, engagement and conservation of clients. In parallel, a market survey was commissioned to evaluate client perceptions. These results will guide benefit updates to increase uptake and engagement.

A sales plan for Vitality Move, Vitality Purple and Vitality Active, released in the first half of 2018, is in place. Vitality Move is a low-cost product, while Vitality Active is a product for young adults and Vitality Purple is a product for high net-worth clients. These products widen our reach and make products more personalised for different segments.

Vitality also introduced bike booster and device booster to deepen engagement.

We also improved our efforts to educate Vitality members about their benefits and the value. The effectiveness of these initiatives has kept the projected lapse rate flat.

3

Integrating knowledge and experience to launch Discovery Bank

Vitality has been working closely with research and development teams on various projects for the planned launch of Discovery Bank. The focus has been on product development and refinement, leveraging Vitality's experience in behaviour modification and incentives.

2

Increased engagement

Vitality continues to increase engagement in health-promoting activities. During the year, this was driven by:

- Enhancements to Active Rewards, which included the introduction of goal streaks and surprise rewards. This resulted in an 11% increase in physical activity among Vitality members and membership of Active Rewards growing to over 400 000.
- Increased physical activity triggered higher engagement in other health-promoting activities. This led to a 10% increase in Vitality Fitness Assessments and a 16% increase in screening and prevention through Vitality Health Check.
- Personalised messaging and interaction through the distribution of Vitality Dashboard, which has led to a higher engagement in Vitality benefits and completion rates of different activities.

4

Enhancing the value of Vitality through achieving a higher status

During the period, Vitality focused on incentivising behaviour that has a material effect on health and health improvement. For those Vitality members who engage in these activities and meet the required criteria, there is an increased value in achieving a higher status. Various enhancements to health and fitness assessments going forward also aim to ensure that Vitality has even greater success in improving members' overall health and their related incentives.

Earning Vitality points brings financial gain to members in the form of discounts and other rewards, which also has financial implications for Vitality. It is important to ensure points are awarded accurately for all completed activities. An investigation into points-earning behaviour identified possible fraudulent behaviour among a small number of Vitality members. Examples include multiple Vitality members claiming points for the same device activity, and members submitting non-smoker declarations while indicating a different smoker status on their life insurance policies. Vitality has now set up a dedicated team, similar to Discovery Health, which identifies potential fraudulent actions.

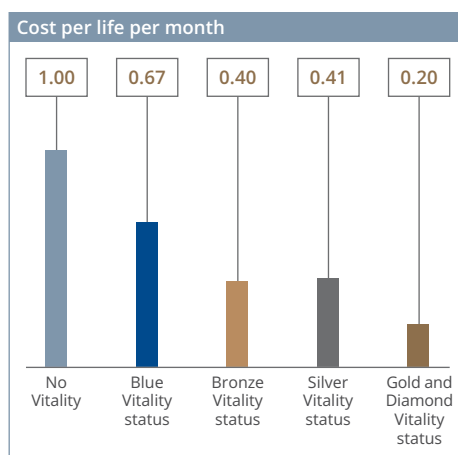
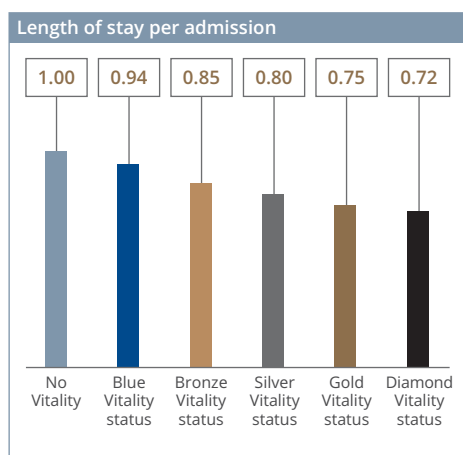
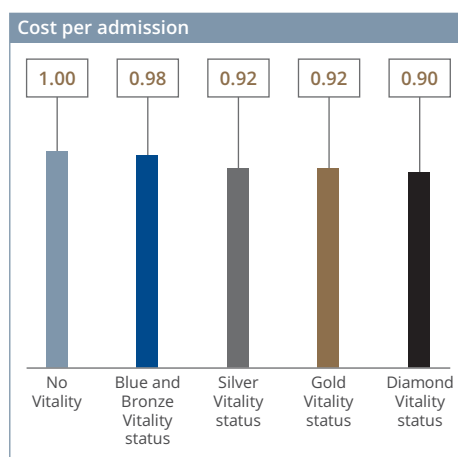
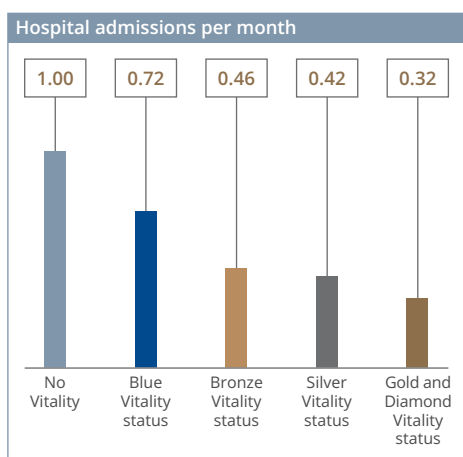


Linking Vitality more closely to health outcomes

In combination with the initiatives linked to enhancing the value of Vitality statuses, there is an effort to more closely align health outcomes to Vitality rewards. This will see the integration of various health modules into Vitality Active Rewards in an effort to help at-risk Vitality members to engage in their health. In the product update for the next calendar year, Vitality will focus on further integrating health management to address weight loss, and to help members manage diabetes and cardiovascular conditions. This will be combined with enhancements to Vitality that encourage better behaviour around nutrition and physical activity. The aim is to build on and increase the positive impact of Vitality on health outcomes.

Impact of Vitality on health outcomes

The graphs show the risk-adjusted* experience over 2017 for Discovery Health Medical Scheme members on each of the Vitality statuses relative to that of members that do not have Vitality.



* Adjustment for age, gender, plan and health status.

OUTLOOK

Our aim is to be the world's best incentive and behaviour-change programme. We will continue to deepen the positive impact of Vitality on existing and potential members, and on South African society. This will be done by focusing on the following key strategic areas over the next few years:

- Expanding our products' appeal to a broader range of the South African population. Through the launch of products such as Vitality Move and Vitality Active, we have already broadened our market. We will also focus on expanding our partner network to engage a broader spectrum of the market.
- As outlined in this review, we will continue to drive our initiatives to deepen Vitality engagement to make members healthier and address the burden of non-communicable diseases.
- We will remain focused on increasing personalised and dynamic physical activity, nutrition and smoking cessation programmes and assistance with mental wellbeing, using technology to enable improved verification and measurement.
- We will continue to work towards being recognised as the world's best incentive and behaviour-change programme.

Q How are you readdressing the decrease in membership number?

A Vitality has seen an increase in membership numbers in the last quarter of the financial year. This is the result of tailored offerings to different market segments and efforts to increase knowledge of Vitality tools and rewards that make people healthier.

To extend the benefits of Vitality Active Rewards to the broader population, Vitality announced the Vitality Open in the September 2018 product update. In addition, a series of benefit updates are planned based on the feedback from the earlier market survey Vitality commissioned.

Various marketing and sales initiatives are in the pipeline to increase sales engagement, and to conserve clients.

Q Are you achieving actual behaviour change or is the positive experience a result of selection?

A A significant proportion of the shared value arises from behaviour improvement. There are three effects: positive selection, behaviour maintenance, and positive behaviour change.

It is our view that the natural inclination of the majority of people is negative wellness behaviour change, especially with increasing age. But our longitudinal data show that incentives lead to a net positive behaviour change in the population over time (after deducting the impact of negative behaviour change, which does happen), and that a significant positive behaviour maintenance effect is evident. We have done a lot of work separating these effects, and comparing it against non-Vitality benchmark data.

While positive selection is real, it is by no means the only or majority effect. The size of the various components differ by market, by healthcare system, and changes over time (with the positive behaviour change effect increasing over time).