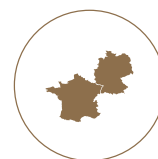


Vitality Group



WHO WE ARE

Vitality Group is responsible for the expansion of Vitality Shared-Value Insurance beyond South Africa and the United Kingdom, serving to fully leverage the capabilities of Discovery and the Global Vitality Network beyond its primary markets.

Vitality Group operates a business providing wellness solutions to employer groups in the United States and partners with leading Insurers (AIA, Generali, John Hancock, Manulife, Sumitomo Life) across the world to launch and grow Vitality Shared-Value Insurance in their markets. Vitality Group is also responsible for Discovery's 25% equity investment in Ping An Health, the largest comprehensive medical insurer in China. Vitality Group's network jointly reaches more than seven million Vitality members across 16 countries (Australia, Canada, China, France, Germany, Hong Kong, Japan, Malaysia, Philippines, Singapore, South Korea, Sri Lanka, Taiwan, Thailand, and the United States).

Vitality Group was formed at the end of 2016, restructuring The Vitality Group (TVG), in the United States, and Discovery Partner Markets (DPM). Vitality Group creates a more competitive international business with a single executive team, responsible for a unified strategy with a consistent approach to products, technology and partnership development. Vitality Group is a multinational corporation with its main offices in the United States and South Africa.

Performance highlights

IMPROVED FINANCIAL PERFORMANCE

Vitality Group's financial performance improved by **39%** during the period, positioning it for attaining profitability within the next year. The improved performance was driven by increased profits from insurance partnerships (**127%**), and improvements in the profitability of Ping An Health (**66%**).

LAUNCH OF myOwn

At the end of the period under review, Vitality Group's successful partnership with AIA resulted in the launch of **myOwn**, a new Australian health insurer that is a joint venture between Discovery, AIA Australia, and GMHBA Ltd (a non-profit Australian private health insurance company). myOwn currently offers health insurance integrated with AIA Vitality through various direct and online channels. This partnership will soon also integrate with AIA Life to create a compelling offer that combines both health and life insurance with Vitality.

myOwn presents a significant opportunity to make a real impact on people's health, as Australia, like many other countries, has a high burden of lifestyle-related diseases. Non-communicable diseases are responsible for nine out of 10 deaths, with modifiable risk factors like inactivity, smoking and poor nutrition being the leading causes of illness and death.

MEMBERSHIP GROWTH

Vitality Group (excluding Ping An Health) grew by **20%** to **1.25 million clients**, while the membership of Ping An Health grew by **428%** to **3.7 million**. The Vitality-integrated insurance premiums of insurance partners grew by **126%** to **R2.7 billion**.

VITALITY GROUP
Δ 20% TO
1.25 MILLION
CLIENTS

PING AN HEALTH
MEMBERSHIP
Δ 428% TO
3.7 MILLION



LAUNCH OF VITALITY SHARED-VALUE INSURANCE IN NEW MARKETS

Vitality Shared-Value Insurance was launched in three new markets: Germany and France with Generali Vitality, and Canada with Manulife Vitality. This brings the **total number of countries with an active Vitality Shared-Value Insurance offering to 16**, including South Africa and the United Kingdom.

During the period Vitality Group also concluded a partnership with Hannover Re to jointly pursue partnership opportunities with new insurers to implement Vitality Shared-Value Insurance. The partnership with Hannover Re will introduce new insurance partners to Vitality Active, a mobile-only version of Vitality focussed primarily on Active Rewards. This application is both faster and more economical to launch than the full Vitality offering. Vitality Active will enable the introduction of Vitality Shared-Value Insurance in less-established markets where the economics of the full Vitality offering may not be feasible.

TOTAL NUMBER OF COUNTRIES WITH AN ACTIVE VITALITY SHARED-VALUE INSURANCE OFFERING

16

RECOGNITION AS LEADING HEALTH INNOVATOR BY THE WORLD ECONOMIC FORUM

In January 2017 Vitality Group was named as a **leading health innovator** in a report released at the World Economic Forum in Davos. The report, published in collaboration with Willis Towers Watson, features a study analysing data from **100 000 US Vitality members** over a three-year period, and is the first of its kind to show that increases in physical activity can lead to other health-promoting behaviours and improve overall health status. The report sought to highlight the world's best and most-innovative case studies of companies applying behavioural economics to promote health and prevent disease.

LAUNCH OF PING AN RUN VITALITY

Ping An Run Vitality (Vitality Active Rewards) was launched in China in September 2016 on Ping An Life's flagship product, **Ping An Fu**. Ping An Fu paired with Ping An Run Vitality is one of China's first life insurance products to integrate insurance with rewards for health improvements. Ping An Health manages Active Rewards on behalf of Ping An Life, supplying the rewards, systems and overall management. This creates additional benefits for the Discovery brand because of the extensive investment in Vitality in China. Ping An Run Vitality has been highly successful with engagement now at **62%** and **2 million active clients**.

PING AN RUN VITALITY HAS BEEN HIGHLY SUCCESSFUL, WITH ENGAGEMENT NOW AT

62%
AND
2 MILLION
ACTIVE CLIENTS

Focus areas

This section outlines the key focus areas of Vitality Group during the year.



01

US CORPORATE BUSINESS

Vitality USA (employer group business)

The success of Vitality with employer groups has continued with high member and client engagement. Vitality Active Rewards with Apple Watch resulted in remarkable member engagement, with the first cohort of members experiencing a 40% increase in active days per week, a 22% increase in the average daily step count, and a 15% increase in completed eligible workouts within the first six months.

The business has made good progress over the period in a competitive market. Various growth opportunities are being explored to grow the scale of the business. These included expanding the target customer base to include regional health insurance plans, and seeking opportunities to build secondary revenue streams in adjacent segments.

02

EQUITY INSURANCE PARTNERSHIPS

Ping An Health

Ping An Health continues to grow rapidly, with new business doubling to R3 billion year on year. The membership has grown by over 428% to 3.7 million. The rapid growth of Ping An Health is accompanied by strong business fundamentals, with loss ratios and lapse experience falling within expectations.

The exceptional performance of Ping An Health is attributable to the leadership of the experienced management team that was appointed in the past year. The strategic decision to significantly change the business mix over the past two years from a focus on high-end group insurance products, to middle- and low-end individual products, also contributed to this growth.

Ping An Health is investing in developing digital assets and capabilities to capitalise on the explosion of e-commerce and m-commerce use among consumers. This strategy has already started to pay dividends with the low-end individual internet product introduced in the past year, generating R1.3 billion of new business. This product continues to generate sales of more than R7 million per day. Ping An Health also launched a mobile app which was downloaded 3.6 million times with 1.7 million



registrations within six months. Going forward, this app will also be used for the distribution of insurance products and health improvement services.

Ping An Health expanded its reach with the opening of the Chengdu and Foshan branches. This marks Ping An Health's first move from the eastern coastal areas to the prosperous emerging cities inland. More provincial branches and several smaller branches are planned for 2018.

Ping An Health's rapid growth is accompanied by a commitment to create superior customer experiences as evidenced by two awards. The first is the 2016 China Remuneration and Benefits Supplier Prize, awarded by HREC (HR Excellence Center), the largest and most influential internet platform in China for HR professionals. HREC gave Ping An Health the award after surveying 500 HR professionals who are in charge of remuneration and benefits in Chinese organisations. The second award was for Ping An Health's on-site, one-on-one hospital service, which was named the "2016 China Insurance Innovative Service" by the 2016 China Insurance Top 10 Innovative Service Awards.

CONTRACTUAL INSURANCE PARTNERSHIPS

AIA Vitality

AIA Vitality, the first Vitality Group insurance partnership, performed remarkably well. For example, the value of new business for AIA Singapore Vitality Shared-Value Insurance increased by three times in the first half of 2017 compared with the same period in 2016. Take up of AIA Vitality Shared-Value Insurance for AIA Hong Kong, reached 75% at the end of 2016. Vitality Shared-Value Insurance is currently being sold in six AIA markets (Australia, Hong Kong, Malaysia, Philippines, Singapore, and Thailand) and AIA Vitality launched stand-alone Vitality Active Rewards campaigns to market Vitality and create up-sell opportunities in six AIA markets (Hong Kong, Malaysia, Philippines, Singapore, Sri Lanka, and Vietnam). These mobile campaigns have been highly successful, with AIA Hong Kong winning five gold awards at the Marketing Magazine's 2017 Mob-Ex Awards on the strength of the campaign.



Generali Vitality

The period started with the successful launch of Vitality Shared-Value Insurance to the retail market in Germany in July 2016. New business volumes in Germany have been exceptional, with disability product volumes up by 67% and term life product volumes up 85% compared with the period leading up to the launch. In January 2017, Vitality was launched to the corporate market in France and a launch in Austria is planned before the end of 2017.



During the period, Generali Vitality signed an exclusive partnership with Angelique Kerber, former world number one female tennis player, to become the Generali Vitality brand ambassador. The French insurance magazine L'Argus de l'Assurance also awarded Generali Vitality with its coveted Innovation of the Year Award for the Corporate Life Business segment.

John Hancock and Manulife Vitality

Vitality Shared-Value Insurance continues to gain traction in North America through the John Hancock and Manulife partnerships. At John Hancock, Vitality-linked policies grew markedly over the period, on both a policy count and premium basis. This was due to more US states approving the Vitality product, strengthening of the term and unit-linked offerings, increased broker adoption driven by immersive training programmes on Vitality, and resonance of Vitality Active Rewards with Apple Watch. In addition, John Hancock was selected as the most innovative insurer in the US for the introduction of Vitality Shared-Value Insurance.



At Manulife, attaching Vitality onto a broader set of insurance products, and the launch of Vitality Active Rewards with Apple Watch later this year, is set to accelerate its growth and penetration in Canada.

Sumitomo Life Vitality

Following the conclusion of our partnership with Sumitomo Life at the end of the last period, work has been underway to prepare for the launch of Vitality Shared-Value Insurance to the Japanese market in the third quarter of 2018.

Japan has an ageing population with the majority of deaths caused by non-communicable diseases, making it an opportune health-promotion market for Vitality Shared-Value Insurance. Vitality Group has developed a version of Vitality that specifically caters to the older population, while maintaining the integrity of the core Vitality offering. The proposed product offering is currently undergoing approval by the Japanese Financial Services Authority.



SIGNIFICANT INVESTMENT IN TECHNOLOGY TO GROW VITALITY SHARED-VALUE INSURANCE

Vitality Group is investing in technology to create a single Vitality platform to support the roll-out of Vitality Shared-Value Insurance across the globe. This new technology platform, Vitality One, is faster

and more cost-effective as well as fully configurable to the needs of different international life and health insurance markets, enabling Vitality Shared-Value Insurance to be rolled out to more markets.

OUTLOOK

Vitality Group concluded its first strategy session earlier in 2017, following the restructure of Discovery Partner Markets and The Vitality Group. The strategic objectives for the next period will focus on three areas:

1 Attaining profitability

- Vitality Group aims to attain profitability by the end of the 2018 financial year by ensuring that all the businesses within Vitality Group contribute towards this goal.

2 Growing new business

- Grow the value of new business from existing partnerships by continuing to expand to additional markets, implementing effective distribution strategies within each market, and continuing to develop compelling Vitality Shared-Value Insurance offerings.
- Implement Vitality Shared-Value Insurance in Japan with Sumitomo Life in 2018.
- Grow the myOwn health insurance book and introduce additional product enhancements, including integration with AIA Life to create increased differentiation and growth in new business.
- Secure a partnership with an insurer to launch Vitality Active in a new market under the partnership with Hannover Re.
- Pursue adjacent revenue growth opportunities in the United States.

3 Implementing the current pipeline of innovations

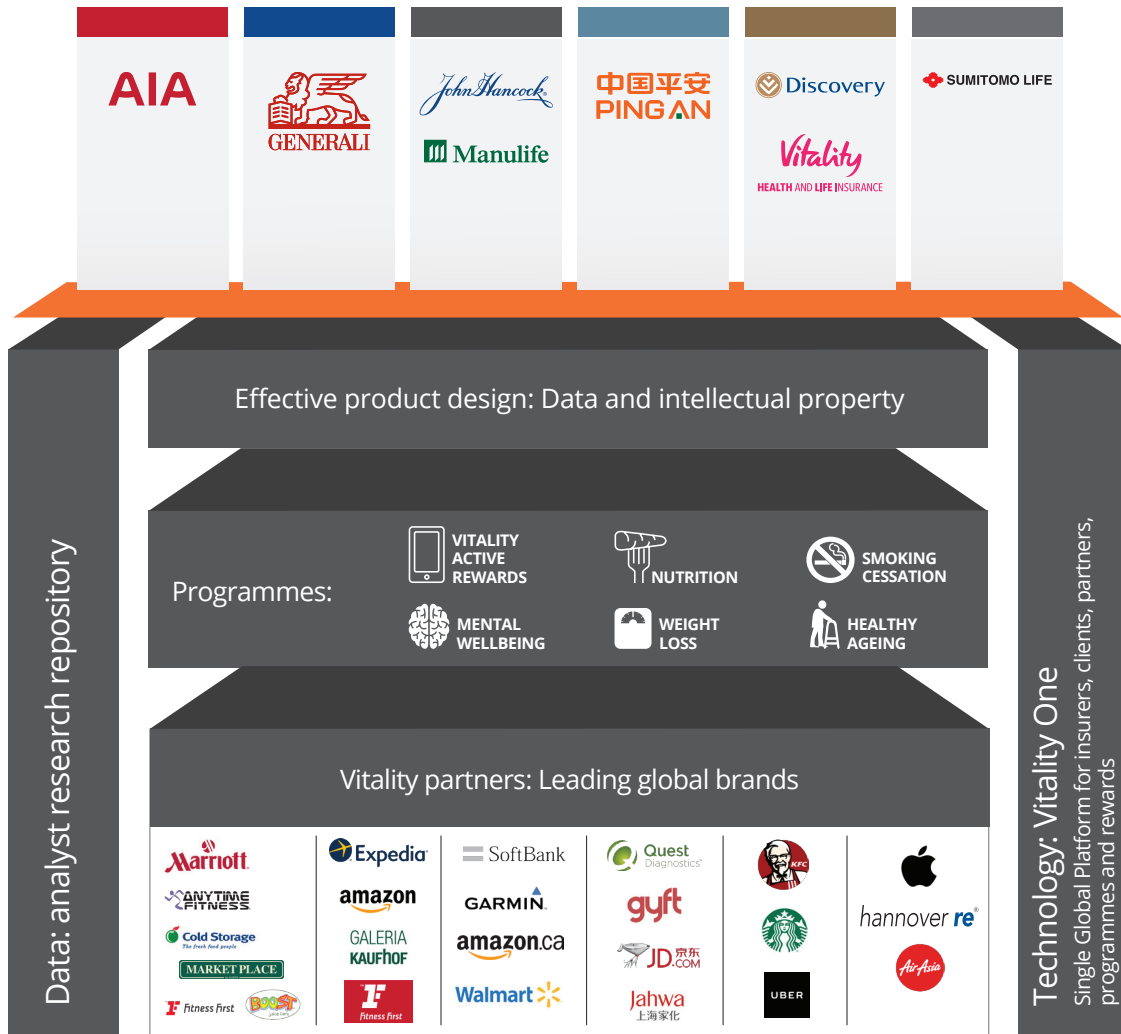
- Complete the technology development to create Vitality Active and launch Vitality One, the new global platform.
- Launch a series of Vitality innovations through the Global Vitality Network, to address risk factors such as mental wellness, weight management, nutrition and healthy ageing.
- Work with Discovery Insure to develop a product and strategy for partnering with international short-term insurers to bring Vitality Shared-Value Insurance to their markets.

GLOBAL VITALITY NETWORK

Discovery has formed a **Global Vitality Network**, with powerful centralised capabilities



GLOBAL VITALITY NETWORK: FRAMEWORK AND PARTNERSHIPS



Leveraging Vitality's network benefits to:

1

Build on the experience of Active Rewards with Apple Watch and Vitality Active Rewards, and to add new benefit constructs with additional headline partners.

3

Build expertise in clinical and behavioural science to develop and roll out programmes that focus on risks that lead to chronic diseases of lifestyle, thereby cementing the Network's reputation for cutting-edge intellectual property in prevention and behaviour change.

2

Generate insights across the shared-value equation. Including answers to:

1. Optimal shared-value product design and pricing
2. Impact of positive initial selection
3. Driving engagement
4. Driving positive renewal selection
5. The impact of long-term behaviour.

4

Create an increasingly visible presence as a thought-leadership brand in the area of shared-value insurance, and a consumer brand that rewards healthy living, by using the benefits and assets of the Network.

What the Global Vitality Network wants to achieve

Over the past few years, Discovery has developed a global capability that brings together all stakeholders and stimulates continuous growth of Vitality as an asset.

The aim is to:

- 1** Bolster the global Vitality proposition.
- 2** Deliver ongoing value to insurance partners through innovation at the forefront of science and health improvement.
- 3** Facilitate speed to market and leverage our global network scale and interconnectivity to deliver benefits that would not ordinarily be available to them.
- 4** Raise the global profile of the Vitality brand to become synonymous with Shared-Value Insurance (at a corporate level), and promote healthy living in a fun and engaging way, built on science and executed with leading partners (at a consumer level).
- 5** Shape public opinion and policy direction favourably by contributing a significant collective and credible voice to the promotion of the individual and societal benefits of health and wellbeing.

Our vision is to leverage Vitality's network benefits globally through its partnerships, programme, data, products, and brand assets. Together, these will optimise value generated from Vitality Shared-Value Insurance.



KEY PERFORMANCE HIGHLIGHTS

1

Product

Active Rewards experienced a high uptake and engagement across all markets, with an encouraging impact on physical activity levels. Today, two million Active Rewards clients are getting more active globally. In the pipeline is a Vitality Shared-Value Insurance health product that is adaptable to the needs of different international health insurance markets; as well as a shared-value corporate offering.

Since **Vitality Active Rewards** launched in the **United Kingdom, South Africa, and the United States**, by meeting their weekly activity goals, members have earned:



6.1 MILLION

free coffees and smoothies



3.5 MILLION

free coffees and cinema tickets



\$75 000

worth of gift cards

Over the past **two years**, by making healthy food choices in **South Africa** and the **United Kingdom**, members have earned:



R250 MILLION

in cash back in 2016



£350 000

in discounts in 2017

2

Building a global data asset

A continuous mortality, morbidity, lapse and engagement study was initiated. The intent is to deepen the understanding of the mathematics that underpin shared-value insurance. Flowing from this study, we have created centralised data architecture to support best practice shared-value product design and pricing to achieve optimal value and health outcomes.

3

Enhancement of key programme components

We have coordinated global research and development initiatives to create new or enhanced programme components in the areas of healthy ageing, Vitality family, weight management, nutrition, and mental wellbeing.

Life expectancy has increased from around **72.3 years in 2014 to 73.3 years by 2019**, which will result in the number of people older than **65** worldwide to be over **604 million**, representing more than **10.8%** of the total global population.

Discovery has prioritised healthy longevity as a need for age-specific preventive recommendations relating to physical activity, diet, tobacco and alcohol use, medicine adherence, screening and vaccination, and mental and cognitive health.

We are working with Columbia University to quantify risk interventions that will impact most meaningfully in the older ages of insured lives.

LIFE EXPECTANCY

Δ TO **73.3**
YEARS BY 2019

which will result in the number of people older than 65 worldwide to be over **604 million**



4

Category ownership of shared-value insurance

Discovery worked with Professor Michael Porter, Marc Pfitzer and Mark Kramer from non-profit consulting firm, FSG, to define shared-value insurance as a subset of shared value. During the period, Discovery's global leadership in pioneering this new category of insurance was recognised by FSG and the Shared Value Initiative, serving as validation of the model's efficacy and impact. At the 2017 Shared Value Leadership Summit, over 400 leaders from companies, non-profit organisations, and governments around the world convened to start developing the real business solutions urgently needed to address problems faced in society. (<https://summit.sharedvalue.org>)

Harvard Business School:
Michael Porter



McKinsey Quarterly



International media



World Economic Forum



Victory was named leading health innovator at the World Economic Forum in Davos, Switzerland in 2017