

Vitality SA



WHO WE ARE

Vitality is the largest scientifically validated health-promotion programme globally, with more than 1.8 million lives impacted in South Africa in 2017. Discovery Vitality underpins all Discovery's businesses and supports the broader business by increasing product integration and cross-selling opportunities across the Discovery portfolio of businesses and products. Vitality was built on the understanding that risk is behavioural, and changes over time. Drawing on behavioural economics to support and incentivise people, Vitality helps people to improve behavioural risks, and subsequently their health.

This health-promotion cycle, when integrated with insurance, allows for the continual assessment of insurance risk to dynamically price insurance over time based on engagement with Vitality and the resulting health improvement. Premium discounts and other benefits act as motivation for people to increase engagement in the programme. This model, with Vitality at its foundation, is called Vitality Shared-Value Insurance. It simultaneously provides material benefits to clients, insurers and society.

As a health-promotion programme, Vitality has developed around three key areas that impact engagement in health improvement, insurance risk and health outcomes in the long term:

- 1** Vitality partners with networks of health, wellness, travel, technology and other providers. Through these partnerships, the perceived cost barriers to health promotion are lowered. With its foundation in behavioural economics, Vitality has gathered significant amounts of data to measure and improve engagement, behaviour change and health outcomes.
- 2** Understanding behaviour and how it can change, Vitality focusses on developing personalised solutions to address individual health risks, and on motivating people at an individual level to improve their health. This has ensured higher engagement with the health-promotion programme over time. Besides offering clients greater value, this cycle brings about improved mortality and morbidity rates, and lowers the claims and healthcare cost experience of insurers.
- 3** The rewards for engagement are part of a broader incentive structure that encourages positive change. Changed behaviour creates an actuarial surplus in the business, which is shared with clients through insurance savings and other benefits to motivate further and ongoing engagement in health-promoting activities.

VITALITY AND SHARED-VALUE INSURANCE IN THE GLOBAL MARKET

The shared-value insurance cycle that Vitality enables is being scaled through Vitality Group and the Global Vitality Network. Leading global insurers are using the model in their markets to transform their offerings, and bring about similar healthy longevity and savings for their clients.

The elements that impact health improvement, behaviour change and health outcomes, also form the basis for the global partnerships, health-promotion programmes, data, products and brand assets in the Global Vitality Network. This network and its assets were refined in the year under review. Spanning the Discovery business, the Global Vitality Network, in partnership with Vitality Group, works to bolster global growth and the Vitality proposition for clients and partner insurers.

Read more about the Global Vitality Network, our global partnerships and market presence in the review of Vitality Group on **page 82**.



Performance highlights

VITALITY MEMBERSHIP GROWTH

- As at 30 June 2017, there were 823 826 members, including the Balance members (Balance is a wellness programme for Bankmed Medical Scheme). We now cover more than 1.8 million lives in South Africa.

HOW VITALITY MEMBERS ARE USING THEIR BENEFITS, AND THE OUTCOMES FROM ENGAGEMENT IN THE PROGRAMME

Offering Vitality members additional cash back on activation of gym membership resulted in a higher-than-expected increase in gym membership uptake across Planet Fitness and Virgin Active.

More than 470 000 gym attendees across South Africa are Vitality members.

Vitality is focussed on encouraging clinically sound exercise behaviour that not only improves health outcomes but also prevents injury. Learnings from Vitality Active Rewards, with its shorter goal periods and sustained increase in activity, are under consideration for the gym benefit to produce the required health outcomes of ongoing, healthy physical activity.

BUILDING ON THE BEHAVIOURAL SCIENCE OF ACTIVE REWARDS TO INCREASE PHYSICAL ACTIVITY

AHEAD OF TARGETS, MORE THAN

300 000

VITALITY MEMBERS HAVE ACTIVATED THE BENEFIT

LEADING TO MORE THAN

28 million
DAYS OF EXERCISE

MORE THAN

4 billion

VITALITY POINTS EARNED

MORE THAN

226 billion

POINTS-EARNING STEPS TAKEN

RESULTING IN VITALITY MEMBERS RECEIVING MORE THAN

3 million

REWARDS FROM PARTNERS

HEALTH OUTCOMES:

On the way to our objective for 2018: **Reduce inactivity among Vitality members by up to 30%.**

A **26%** increase in physical activity for these members, and a **50%** increase in physical activity for the more than **32 000** Vitality members with Apple Watch. Goal completion rates for Vitality members with Apple Watch have averaged at **47%**. These rates are the highest among those using Active Rewards.

- Vitality Active Rewards Shoe Booster, introduced in January 2017, had more than 11 000 activations with over 8 000 pairs of running shoes purchased over a short period of time. Vitality members have reacted positively to the benefit and qualify for a 100% cash back on running shoes when reaching their personalised activity goals.
- More than 49 000 Vitality members with the gym benefit have also activated Vitality Active Rewards Gym Booster. Their goal completion rate on Vitality Active Rewards has increased to 36% to give these Vitality members 100% of their monthly gym fees in cash back, resulting in a saving of R32 million for these members.

VITALITY ACTIVE REWARDS
SHOE BOOSTER HAD
MORE THAN

11 000
ACTIVATIONS

WITH MORE THAN
8 000 PAIRS OF
RUNNING SHOES
PURCHASED

MORE THAN

49 000

VITALITY MEMBERS WITH
THE GYM BENEFIT

HAVE ALSO
ACTIVATED VITALITY
ACTIVE REWARDS
GYM BOOSTER

INCREASED PERSISTENCY WITH THE USE OF WEARABLE DEVICES

Vitality data shows inactive Vitality members have higher lapse rates compared with physically active Vitality members. Among physically active Vitality members, those who only use the gym benefit have a higher lapse rate compared to those who use wearable devices as well.

SHAPING THE INDUSTRY OF WEARABLE DEVICES

While predictions have shown that device use to monitor health and fitness may decline over time, Vitality data and engagement have shown an increase in physical activity from the use of devices through Vitality Active Rewards. This is due to our innovative use of behavioural economics and immediate and relevant incentives that change behaviour. Vitality Active Rewards around the world is driving the increased uptake of devices, and also of Apple Watch.

ENCOURAGING HEALTHY LIVING

- The HealthyLiving portfolio of benefits, made up of HealthyFood, HealthyGear and HealthyCare, paid more than R336 million in cash back to Vitality members over the period.
- Encouraging healthier diets with our target to reduce salt and sugar intake by 30% and increase fibre intake by 30%: A review of the HealthyFood catalogues aims to ensure Vitality members choose foods that are higher in fibre and lower in salt and sugar. This target will be measured through the purchasing behaviour of the HealthyFood cohort established in 2014 and their progress by 2018.
- Vitality members using the Vitality HealthyFood benefit increased to more than 400 000. Since the introduction of Vitality HealthyFood, Vitality members have spent a total of R5.8 billion on food items that promote a healthier diet.

Engagement during the year

THE IMPACT of sharing financial value through incentives and rewards with Vitality members to encourage better health

HEALTH CHECKS

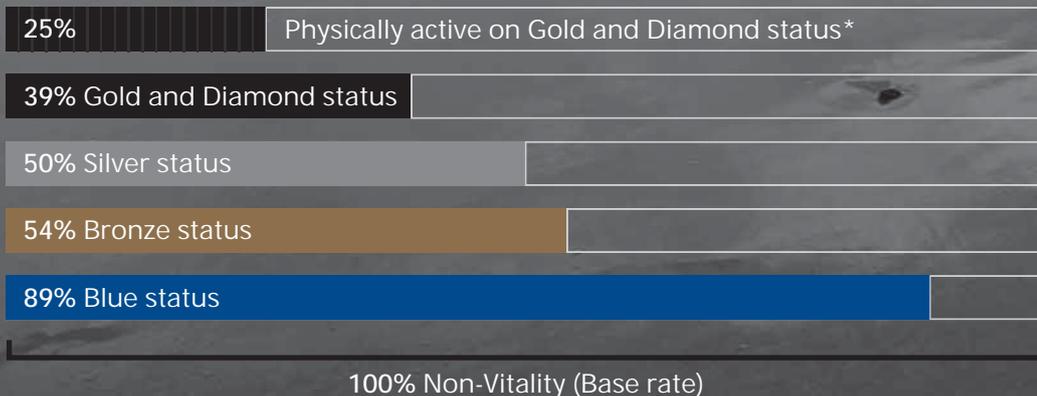
MORE THAN **650** a day AND MORE THAN **287 000** a year

GYM VISITS

VITALITY HAS TRACKED MORE THAN **16.6 million** GYM VISITS

Risk improvement by Vitality status

RISK IMPROVEMENT BY VITALITY STATUS: THE LOWERED MORTALITY RATE BY VITALITY STATUS



* Physically active more than twice a week.

THE VITALITY
RUN SERIES

HAS KEPT LONG-STANDING RACES SUCH AS **OLD ED'S, WANDERERS, ADRIENNE HERSCH AND ROCKIES** AVAILABLE TO RUNNERS IN JOHANNESBURG, SOUTH AFRICA

TEAM
VITALITY

CURRENTLY THE LARGEST RUNNING CLUB IN SOUTH AFRICA, WITH MORE THAN **15 000** members

Financial
and other
value

FLIGHTS
BOOKED



MORE THAN
1 million
OVER THE YEAR

Vitality members have booked more than **2.9 million** flights from 2012 to 2017

HealthyFood
CASH BACK



THERE ARE
35 000

BASKETS OF HealthyFood
PURCHASED EVERY DAY.

R243.7 million paid in cash back over the year and more than **R1 billion** since 2009

LIFE
PAYBACK



OVER
R3 billion
PAID IN THE PAST
FIVE YEARS

MOVIES WATCHED AT
DISCOUNTED PRICES



MORE THAN
2.8 million
OVER THE YEAR

Material issues

This section outlines the key issues and focus areas Discovery Vitality managed during the year.

01 INCREASING MEMBERSHIP AND ENGAGEMENT

During the year, Vitality delivered a number of improvements aimed at increasing engagement and boosting membership growth:

- Continually improved engagement in health-promoting activities. These were driven by:
 - A significant year-on-year increase in the Vitality Active Rewards membership, from 234 000 to 350 000. Following a refinement of our data integrity processes, service levels and the encouragement of clinically relevant physical activity, there has been a sustained increase of 26% in physical activity among actively engaged Vitality members.
 - Increased physical activity has been shown to trigger an increase in engagement in other health-promoting activities, as demonstrated by an 8% increase in fitness assessments and a 12% increase in screening and prevention through the Vitality Health Check.
- The increased use of the Vitality travel rewards with an average of 50 479 local flight bookings each month. Similarly, there was a significant increase in international flight bookings following the restructuring of the Emirates base fare, which increased the Vitality discount. An average of 1 626 international flight bookings were made each month. Vitality members also booked an average of 7 441 hotel nights each month during the period.
- Development and introduction of Vitality Weight Loss Rewards. Launched in March 2017, the intervention works on the same basis as Vitality Active Rewards, offering short-term, personalised goals with additional cash back on HealthyFood to encourage ongoing, clinically-sound weight loss.
- Lowering the projected lapse rate for the year by improving our servicing efforts to educate Vitality members about their savings and the value they get from Vitality. The effectiveness of these outbound initiatives and assisting Vitality members in activating and using their benefits has lowered the projected lapse rate. Given the success of this service, Vitality plans to extend campaigns to other Vitality offers, including HealthyFood and HealthyGear.

02 DESIGNING AND IMPLEMENTING CONTINUED IMPROVEMENTS TO ENSURE VITALITY REMAINS THE LEADING WELLNESS PROGRAMME GLOBALLY

Critical focus areas for the business are:

- Continuing to innovate and develop additional products that drive uptake, improve health outcomes and deepen member engagement across Discovery products. To achieve this, Vitality is personalising messaging and interaction around physical activity and nutrition through the development of a Vitality Dashboard and targeted physical activity campaigns.

ABOUT THE VITALITY DASHBOARD

The Vitality Dashboard will intuitively guide further engagement through benchmarks, league tables and nudges with a focus on the key Vitality pillars: physical activity, nutrition and screening.

- Driving ongoing engagement through various successful campaigns in our distribution channel will create added value for more Discovery clients. The development of a predictive lapse model also ensures that Vitality can provide members with details of their benefits to mitigate possible lapses. This retains high-value members. Targeted engagement and re-engagement campaigns have also been developed and have already shown improvement in ensuring ongoing physical activity and uptake of other Vitality benefits.
- Continuing to evolve the Vitality Active Rewards offering and associated rewards, and distributing the alternative Vitality options introduced in September 2017. These new Vitality options, Vitality Move, Vitality Active and Vitality Purple, aim to cater for different segments in the market by providing a combination of certain Vitality benefits at relevant monthly premiums. It is aimed at increasing penetration of Vitality across markets to make health promotion accessible to even more of Discovery's clients.
- Enhancing our service to the corporate market. A dedicated engagement team has also been established to service Vitality members of Discovery Health's client medical schemes to offer these medical schemes the increased value that Vitality offers. Another strategy was to incorporate doctors as part of the solution. During the year we launched Vitality Active Rewards for Doctors. Read more in the Discovery Health Review on page 46.
- Continuing to develop rewards and product updates that encourage the right behaviour for health promotion. This includes maintaining our relationships with Vitality partners and managing cost increases across industries to ensure that every stakeholder can continue to see efficient benefits, while Vitality members derive value.

03 OPERATIONS, LEGISLATION AND REGULATION

In light of the challenging economic climate, Vitality will increase efforts to drive cost efficiencies and profitability through more effective, lean operations, as well as benefit optimisation. As a business, we remain focussed on the application of prudent financial management. We also continue to invest in developing our people, with a specific focus on employee engagement, recognition and career development. Discovery Vitality continues to monitor and respond to all applicable legislation, for example, protecting access to sensitive and personal information.



OUTLOOK

As outlined in this review, Vitality is working towards achieving specific goals in the next review period towards our Ambition 2018.

Beyond 2018, we have an opportunity to set the path as thought leaders as we continue to engage in matters of public health. We will continue to shape the health-promotion market as the most clinically relevant and largest science-based offering. The emphasis will be on deepening the positive impact of Vitality on our existing member base, as well as in other Discovery businesses, through the implementation of leading technology and behavioural economics data.

The focus will be on these key strategic areas:

- Increasing personalised and dynamic physical activity and nutrition programmes with the use of technology to enable improved verification and measurement. This focus area has been identified in line with the increase from 63% to 69% of Vitality members now engaging with Vitality through the website or Discovery app for members.
- Continuing to develop product offerings, such as the new Vitality options launched in September 2017 and other product updates, to increase Vitality's value within the corporate segment and in other markets.
- Developing consumer initiatives that engage more people in physical activity across South Africa.
- Enhancing Vitality to meet different health needs at different life stages, for example, young people, families and seniors.
- Developing a longer-term strategy that addresses gaps and adapts benefits and rewards for changing consumer preferences.
- Deepening the health management capabilities of Vitality by developing clinically robust smoking cessation, mental wellbeing, diabetes-management and other offerings.