

COVID-19: CLIENT FINANCIAL SUPPORT AND FLEXIBILITY

Ensuring your clients can keep their valuable Discovery products in place when they need them most



Stay Informed.
Stay Healthy.

Discovery's core purpose of making people healthier and enhancing and protecting their lives has never been more relevant and maintaining cover in key areas such as medical schemes and life insurance is absolutely critical at this time. We are also acutely aware of the challenging and volatile operating and financial environment in which clients may find themselves, in particular small and medium enterprises who are most exposed during this time.

We are introducing **a range of options aimed at the most vulnerable groups to provide flexibility and support the sustainability of their cover**. These groups include self-employed individuals, small and medium enterprises, professionals and other industries deemed not to form part of essential services as defined in the Labour Relations Act 66 of 1995. Examples of such qualifying occupations include travel agents, restaurant owners and event coordinators, among other occupations.

This document summarises the initiatives and options being rolled out across the Discovery Group, in particular, Discovery Life, Discovery Insure, Discovery Invest and Discovery Primary Care to support these key client segments. Discovery Health Medical Scheme (administered by Discovery Health) is also introducing important initiatives. Importantly, any changes to a client's policy should always and only be made in consultation with a financial adviser and take into account each client's personal financial circumstances and needs. A [Record of Advice](#) must be completed for all clients who exercise these options, and normal commission rules apply.

Discovery Health Medical Scheme

Discovery Health Medical Scheme is in a financially robust position, and prioritises the use of its reserves for the additional claims related to COVID-19 and to ensure the future sustainability of the Scheme. The Scheme recognises that many of its members are facing unfortunate financial constraints and are potentially distressed during this extraordinary period of COVID-19 containment measures and consequent business interruption. This could impact their ability to pay medical scheme contributions in the coming months. For this reason, the Scheme has set aside approximately R2.3 billion from its reserves to provide support to cover contributions for **qualifying individuals and, on an interest-free loan basis, to small and medium businesses** affected by the COVID-19 outbreak. This aligns with President Ramaphosa's specific request to support small and medium enterprises during this time and balances this against the need for prudential management of the Scheme's reserves against the backdrop of an expected increase in claims resulting from COVID-19. The premium funding concessions detailed below represent support to a base of more than 600 000 members without compromising the financial strength of the Scheme which remains robust and well-capitalised.

Contribution concessions for small and medium businesses

To assist small and medium enterprises, Discovery Health Medical Scheme offers qualifying employers a concession to defer up to two months of medical scheme contributions for their employees. These contributions would need to be repaid over a period of up to 12 months after the deferment period. No interest will be charged on the contributions deferred. The concession will be effective immediately.

Employers meeting the following criteria may apply for this contribution concession:

- i. Employers who proactively request a contribution concession; and
- ii. Have a total employer size of between 10 to 200 employees; and
- iii. Are an existing employer group on Discovery Health Medical Scheme in good standing

Interested employers should complete the PDF application form and accept the terms and conditions. Discovery Health will conduct a light financial review of the credit risk of the concession to the employer before making a decision and informing the employer of the outcome. Should the employer not comply with the repayment arrangement, the Scheme

reserves the right to apply the usual credit control processes and policies which could include the suspension and/or withdrawal of their employees' membership.

Financial advisers will be able to check which small- and medium-enterprise clients qualify for this offer on the Financial Adviser Zone. The editable PDF application form is available on the Financial Adviser Zone on www.discovery.co.za > **COVID-19 Business Support > Health**. Employer groups will need to complete the application form, confirm they meet the eligibility criteria, select the deferment and repayment periods, and agree to the terms and conditions.

Fund contributions from positive Medical Savings Account balances

Discovery Health Medical Scheme allows individual members with a sufficient Medical Savings Account balance to utilise their positive balance to pay their total medical scheme contribution for up to three months. This option is available to members who pay their contributions directly to the Scheme as well as members whose employers pay contributions on their behalf. A 'positive Medical Savings Account balance' refers to the 'cash' balance and does not include the upfront balance allocated to the member at the start of each calendar year.

Individuals may apply to access the option if they have a positive Medical Savings Account balance equivalent to at least one month's medical scheme contributions. The total contribution will be funded from the Medical Savings Account balance, with the member's Medical Savings Account balance being adjusted accordingly. Members may only elect full funding from their Medical Savings Account and not partial funding from their Medical Savings Account balance. Members taking up this offer might experience out-of-pocket health claims during the benefit year as a result of a depleted Medical Savings Account, but will not have any suspension imposed on their membership for the period that the contribution is funded from their Medical Savings Account.

Discovery Health will communicate with qualifying members and provide them with a link to activate the benefit and select the number of months of funding. Advisers will be able to check which clients qualify for this offer on the Financial Adviser Zone.

Discovery Primary Care

Discovery Primary Care is offered by Discovery Life and administered by Discovery Health. The product was introduced to provide quality, affordable access to private primary healthcare for employees who are unable to access medical scheme benefits.

Premium concession for small and medium businesses

To assist small and medium enterprises, Discovery Primary Care offers qualifying employers a concession to defer up to two months of premiums for their employees. These premiums would need to be repaid over a period of up to 12 months after the deferment period. No interest will be charged on the premiums deferred. The concession will be effective immediately.

Employers meeting the following criteria may apply for this premium concession:

- i. Employers who proactively request a premium concession; and
- ii. Have a total employer size of between 10 to 200 employees; and
- iii. Are an existing employer group on Discovery Primary Care in good standing

Interested employers should complete an online application form and accept the terms and conditions. Discovery will conduct a financial review of the credit risk of offering the concession to the employer before making a decision and informing the employer. Should the employer not comply with the repayment arrangement, Discovery reserves the right to apply the usual credit control processes and policies which could include suspension and/or withdrawal of their employees' policies.

Financial advisers will be able to check which small- and medium-enterprise clients qualify for this offer on the Financial Adviser Zone. The editable PDF application form is available on the Financial Adviser Zone on www.discovery.co.za > **COVID-19 Business Support > Health**. Employer groups will need to complete the application form, confirm they meet the eligibility criteria, select the deferment and repayment periods, and agree to the terms and conditions.

Discovery Life

Discovery Life's unique Shared-value Insurance Model has returned over R5 billion to clients through the PayBack benefit and this mechanism will now be utilised to provide premium relief to our clients who have liquidity constraints. We will do this by effectively allowing them to unlock the financial value contained in their future good health.

Under the **Premium Relief Option**, qualifying policyholders approved by Discovery Life will be able to draw down from their accumulated Health or Vitality Integrator PayBack fund to pay for three months' worth of their Discovery Life Plan premiums.

These options will be available for cover from May 2020, except for the Partial Suspended Cover Option that is only available for cover from June 2020. Advisers who want to submit an application on behalf of a client, should contact their franchises to assist with the process.

The Premium Relief Option will be made available to qualifying clients whose ability to generate an income has been severely impacted by the COVID-19 lockdown period, in line with government regulations. Policyholders are required to have at least two years of good payment history to apply for the Premium Relief Option and each application will be considered on its own merits. Further details about the Premium Relief Option as well as alternatives for clients who don't qualify for this option are shown below.

In addition, to encourage all clients to test for COVID-19 where medically indicated during this pandemic, Discovery Life will be excluding the cost of any COVID-19 tests from the Health Integrator PayBack, Health Integrator premium adjustment and Cover and Financial Integrator cover adjustment calculations for all clients. This applies regardless of the result of the test.

Premium Relief Option (accelerating access to the PayBack benefit for qualifying clients)

Qualifying clients can select the Premium Relief Option if their accrued Health or Vitality Integrator PayBack fund to date is equal to at least the value of the next two months' premiums on the relevant Discovery Life Plan. By selecting and being approved for this option, they will receive immediate premium relief for three months while retaining full cover under all their benefits on the Life Plan when they need it most. In other words, they will not be billed for their next three Discovery Life Plan premiums. This applies to all premiums on the Discovery Life Plan (including Vitality contributions), but excludes a client's Discovery Retirement Optimiser contributions. *Please refer to the Discovery Invest section on how to apply for a premium relief on Discovery Retirement Optimiser contributions.*

The outstanding premiums will then be collected from the first available Health or Vitality Integrator PayBack payments when they become payable. This will happen until the outstanding premiums, including the charge for accessing the PayBack on an accelerated basis and the PayBack Early Access fee (defined below), are returned. Any PayBack due (Cumulating, Annual Guaranteed, Surplus or Five-yearly PayBack), including any PayBack payments in the three-month period, will first be used to offset the outstanding premiums as well as the PayBack Early Access Fee under the Premium Relief Option.

With this option, clients are able to receive early access to their future Health or Vitality Integrator PayBack fund payments, which for some clients may be several years away. Therefore, a PayBack Early Access fee of 2% per month will be applied to the premiums accessed from the PayBack fund to account for the fact that clients are accessing their PayBack payments before they are due. This monthly PayBack Early Access fee will apply on the value of the outstanding

premiums from the first month after the Premium Relief Option has ended until this amount is returned from a client's PayBack payments, but this fee does not apply to a client's Vitality contributions.

Clients will also have the option to repay the missed premiums on an ad hoc basis instead of waiting for the amount to be drawn down from their future PayBack payments, if they are in a position to do so.

The Premium Relief Option is available on debit orders from 15 April 2020 for cover that would apply in May 2020. Please note that if a client is unable to pay their Discovery Life Plan premium after the three-month period of the Premium Relief Option, the policy will automatically lapse and will not enter the normal credit control process.

Additional options and flexibility available to Discovery Life clients

We encourage all clients to keep as much of their cover in force as possible, particularly during this time. However, for clients who do not qualify for the Premium Relief Option, three additional options are being made available to Discovery Life policyholders who are struggling with significant cash flow or liquidity constraints:

- **Underwriting-free Servicing Option:** Qualifying clients who are only able to afford part of their cover, will be allowed to reduce their cover to any amount, **down to the minimum Discovery Life Plan benefit amounts and premiums.** They will then have the ability to service their cover back up to the original level **without any medical underwriting after three months of the servicing reduction taking place.** Adding this cover back will be subject to normal servicing rules, taking into account the client's current age and new business rates. The normal servicing process must be followed in order to repurchase the required cover.

Under this option, benefits can be reduced to their applicable benefit or premium minimums; however, any benefits being removed will still be subject to medical underwriting if they are later added back through servicing.

Clients will be able to service their cover back up to the original level before the three months have ended; however, this will not be underwriting free and will be subject to a declaration of health.

Following the three months after the servicing reduction took place, clients will have one month to service their cover back up to the original level without any medical underwriting. This will; however, be subject to normal servicing rules, taking into account the client's current age and new business rates.

Any servicing done following the month in which underwriting-free servicing applies, and any servicing above the original cover level, will attract the usual underwriting and premium rerating in line with normal servicing limits and rules, taking into account the client's current age and new business rates.

- **Suspended Cover Option:** Qualifying clients who cannot afford to pay any level of premium can elect to suspend their cover for three months, with no premium and no cover during this period. At the end of the three-month period, **cover and premiums will be automatically reinstated to their original levels, free of underwriting, and all financial features like the PayBack benefit and the Buy-up Cash Conversion funds will be retained at the levels that they were prior to the cover suspension (allowing for anniversary adjustments if applicable).**

This option may be suitable for qualifying and approved clients facing significant affordability issues and is aimed at providing the peace of mind that their future insurability is guaranteed for three months, and their accrued financial rewards are not forfeited.

Qualifying clients who select the Suspended Cover Option will stop both cover and premiums on their Life Plan, including Vitality premiums, for a period of three months. This does not apply to a client's Discovery Retirement Optimiser premiums, which will continue as normal. *Please refer to the Discovery Invest section on how to apply for a premium relief on a client's Discovery Retirement Optimiser contributions.*

After this period has ended, the policy will automatically reinstate and continue as usual without requiring the client to pay any premiums for the three-month cover suspension period upon reinstatement. Please note that if the client is unable to pay their Discovery Life Plan premium after the Suspended Cover Option period, the policy will automatically lapse and will not enter the normal credit control process.

During this time, given that no premiums are paid, there will be no accumulations made to the PayBack benefit or any other funds that a client may have on their Discovery Life Plan. If a policy anniversary occurs during the Cover Suspension Option period, the usual benefit and premium adjustments will still be applied and PayBack amounts will still be paid if due on receipt of the first premium after the end of the Suspended Cover Option period.

Clients will be able to reinstate their policy before the three months have ended, at which point their cover and premiums on the policy will immediately continue as usual; however, this will be subject to normal underwriting.

There will be no commission clawback on the Suspended Cover Option. The three-month period will; however, be taken into account if a lapse occurs on the policy. For example, if the premium payable after the pause period is not received, the policy will lapse with effect from the end of the month before the pause period started.

- **Partial Suspended Cover Option:** Qualifying clients who are only able to afford a portion of their cover can choose to **reduce both cover and premiums on their Discovery Life Plan by 25%, 50% or 75% for three months**. At the end of the three months, the policy will automatically be reinstated to its original level (with allowance for any anniversary adjustments), free of underwriting.

This option will reduce both the client's cover and qualifying premiums by the chosen Suspended Cover Option percentage for three months. The full Vitality premium and Vitality membership will be suspended and will be reinstated when the Partial Suspended Cover Option period ends. Any Discovery Retirement Optimiser contributions must still be paid in full for the three-month period. *Please refer to the Discovery Invest section on how to apply for premium relief on a client's Discovery Retirement Optimiser contributions.*

If a client cannot pay their full Discovery Life Plan premium after the three months, the policy will automatically lapse (end) and will not enter the normal credit control process.

Accumulation to the client's PayBack fund will continue, using the proportionately reduced premiums for the three months of partially suspended cover. If a policy anniversary occurs during the Partial Suspended Cover Option period, the usual benefit and premium adjustments will still be applied. These adjustments will apply to the partially suspended premiums and benefits, as well as the reinstated premiums and benefits after the three months. If any PayBack amount or maturity benefits are due during this period, they will be paid out once a full premium has been collected after the three months.

Any claims during the Partial Suspended Cover Option period will be calculated as usual but adjusted by the Partial Suspended Cover Option percentage at the time of payment. The impact on all the policy features will, however, be based on the full claim amount. At the end of the period, your cover will reinstate to the level that assumes the claim was paid in full on the policy. For ICB, if a claim starts within the three-month period, the ICB payments would

be paid at the reduced level throughout the claim period. The reduced payment is applicable to temporary and permanent claims that continue after the Partial Suspended Cover Option period.

Clients can reinstate their policy before the three months have ended, at which point their cover and premiums will immediately continue as usual. However, this will be subject to normal underwriting.

There will be no commission impact on the Partial Suspended Cover Option unless the policy lapses. Commission will be clawed back, but backdated to the date when the policy entered partial suspended cover.

Please note that the Partial Suspended Cover Option will only be available from the 10 May bill collection for cover that applies from June 2020. Further details will be made available in due course.

Eligibility criteria

The previous options are applicable to the various Discovery Life Plans as follows:

	Classic	Essential	Purple	Smart	Business	Dollar
Premium Relief Option	✓	x	✓	x	x	x
Underwriting-free Servicing Option	✓	✓	✓	✓	✓	✓
Suspended Cover Option	✓	✓	✓	✓	✓	✓
Partial Suspended Cover Option	✓	✓	✓	✓	✓	✓

In addition, these options are subject to approval via the Discovery Life credit control processes and eligibility criteria include the following:

Premium Relief Option	Suspended Cover Option	Partial Suspended Cover Option
The premium payer must be self-employed, a business owner or an employee of such a business and face severely reduced income themselves, in an industry that is not an essential service as defined in the Labour Relations Act. This applies to small and medium enterprises that meet the definition of a small enterprise in South Africa as per the Department of Small Business Development.	The premium payer must be self-employed, a business owner or an employee of such a business and face severely reduced income themselves, in an industry that is not an essential service as defined in the Labour Relations Act. This applies to small and medium enterprises that meet the definition of a small enterprise in South Africa as per the Department of Small Business Development.	The premium payer must be self-employed, a business owner or an employee of such a business and face severely reduced income themselves, in an industry that is not an essential service as defined in the Labour Relations Act. This applies to small and medium enterprises that meet the definition of a small enterprise in South Africa as per the Department of Small Business Development.
Policies must have been in force for at least two years.	Policies must have been in force for at least six months.	Policies must have been in force for at least six months.
Policies may not have been in credit control in the past two years.	Policies may not have been in credit control in the past six months.	Policies may not have been in credit control in the past six months.

Discovery Insure

Discovery Insure offers comprehensive car and home insurance that helps clients look after their most valuable possessions. The Vitality Drive programme rewards clients for driving well and clients get up to 50% back in fuel rewards every month. To date, we have rewarded our clients with over R850 million in fuel cash back.

Clients elect to receive their cash back into their bank account or may 'bank it' in the Excess Funder Account. When clients elect to bank their cash backs in the Excess Funder Account, Discovery Insure matches their contributions. This creates a fund that clients can use in various ways (for example, funding their excess in the event of a claim, paying for tyres and even lowering premiums).

The Excess Funder Account may now be utilised to provide **Premium Relief** for our clients who are currently facing liquidity constraints.

Premium Relief Option (accessing Excess Funder accounts for qualifying clients)

Qualifying clients may select the Premium Relief Option if they have the equivalent of at least two months' worth of premiums accrued in their Excess Funder accounts. By selecting this option, clients will have the ability to fund their next premium, utilising up to 50% of the accumulated Excess Funder accounts (which is effectively 100% of their contribution towards their Excess Funder accounts). This applies to all premiums on the Discovery Insure Plan (including Motor, Household, Vitality Drive and so on).

In order to qualify for this offering, clients must be in good financial standing, with all premiums paid up over the past 12 months.

Additional options and flexibility for Discovery Insure clients

For clients who are facing short-term liquidity constraints and do not qualify for the Premium Relief Option, two additional options are being made available:

- **Accessing future fuel cash back rewards today:** For clients who do not qualify for the Premium Relief Option (due to insufficient funds in their Excess Funder accounts) but have received fuel cash backs over the past six months that are in aggregate greater than a single premium, the next premium may be waived and recouped from future fuel cash backs.
- **Suspended/reduced Cover Option:** If the previous option does not meet clients' unique needs, clients have the ability to temporarily reduce cover and premiums on an individual basis. No further underwriting will be applied when the client wishes to restore full cover. This is only recommended in consultation with their financial adviser.

To take up this option, clients and advisers can send an email to insuregautengintermediary@discovery.co.za. Please include the plan number.

Discovery Invest

Through our shared-value approach – which rewards our clients for investing longer, investing more, living well and managing their money wisely in retirement – Discovery Invest has returned more than R9 billion to our clients in the form of boosts, fee discounts and benefits. While we urge our clients to stick to their long-term financial goals despite the current unprecedented period, we are offering **contribution holidays to qualifying clients** on recurring products to alleviate cash flow and liquidity constraints.

Contribution holidays (Recurring Retirement Annuity, Flexible Investment and Discovery Retirement Optimiser products)

Qualifying clients will be allowed contribution holidays of up to six months (applied over the entire lifetime of the policy) on Recurring Retirement annuities with upfront commission and Discovery Retirement Optimiser products. For recurring Retirement annuities with as-and-when commission and Flexible Investment plans, clients will be allowed to flex their contributions without any restrictions. Since the fund value will continue to be administered by Discovery Invest, the asset management and administration fees will continue to be applied to the fund value.

Benefits during the contribution holiday period: There will be no impact on existing Fee PayBack payments, contribution boosts or the Life Plan Optimiser. However, accruals of these benefits will not apply during the contribution holiday period.

After the contribution holiday period: Clients will not have to make up for any missed contributions after the contribution holiday. Contributions will resume after the contribution holiday period. Normal annual contribution increases will apply when the contributions resume. If contributions are not resumed, the policy will be deemed 'paid up' from the date that the contributions became outstanding and any intermediary remuneration (if applicable) will be reversed according to the Long-term Insurance Act 52 of 1998. For endowment products, causal event charges will apply if the endowment becomes paid up.

In order to qualify for the contribution holidays, policies should have been in force for at least one year from the start date to the date of the request. Each application will be considered on its own merit and is only recommended to clients after consultation with their financial adviser.

To take up this option, advisers can contact Discovery Invest on 0860 67 57 77 or send an email to INVEST_CONTRIBUTIONMANAGEMENT_SUPPORT@discovery.co.za that includes the duration and reason for the contribution holiday.

Vitality

A client's Vitality membership, premiums and benefits follow the same principles and treatment as their underlying insurance policies, except in the case of the Discovery Health Medical Scheme option of funding contributions from positive Medical Savings Account balances. Typically, this means that if the underlying policy is suspended or falls into arrears, the Vitality benefits are also suspended.

The effects for the Vitality membership and attached premiums for each option are provided below:

Discovery Health Medical Scheme members who have Vitality:

- **Funding contributions from positive Medical Savings Account balances:** For the period that a member's medical scheme contribution is paid from their positive Medical Savings Account balance, the Vitality policy will remain active. However, Vitality will not collect a monthly contribution. During this period, members will have access to a limited set of Vitality benefits that includes Vitality Active Rewards, up to 75% off their monthly gym fee and half price movies at Ster-Kinekor. The full set of Vitality benefits will resume at the end of this period, when the Vitality contribution is received.
- **Contribution concession to small and medium businesses:** Vitality membership will continue and the Vitality monthly contribution will be repaid over a period of up to 12 months after the deferment period (in line with the contribution support offered to small and medium businesses).

Discovery Life clients who have Vitality:

- **Premium Relief Option:** Vitality membership will continue and Vitality contributions will be funded from PayBack payments.
- **Suspended Cover Option:** Vitality membership and Vitality contributions will be paused, and clients' membership and premiums will be reinstated after the end of the Suspended Cover Option period.

Discovery Insure clients who have Vitality:

- **Premium Relief Option:** Vitality Drive membership will continue and Vitality Drive contributions will be funded from the Excess Funder Account.
- **Accessing Future Fuel Cash Backs Today:** Vitality Drive membership will continue and the Vitality Drive contributions will be recouped from the Excess Funder Account.
- **Suspended/reduced Cover Option:** Vitality Drive membership and the attached Vitality Drive contributions will be paused, and clients' membership and premiums will be reinstated after the end of the Suspended/reduced Cover Option period.

Disclaimer

All life insurance products are underwritten by Discovery Life Ltd, registration number: 1966/003901/06, an authorised financial services provider and registered credit provider, NCA Reg No. NCRCP3555. Discovery Life Investment Services Pty (Ltd), registration number 2007/005969/07, branded as Discovery Invest, is an authorised financial services provider. All boosts are offered through the insurer, Discovery Life Ltd. The insurer reserves the right to review and change the qualifying requirements for boosts at any time.

Discovery Insure Limited, registration number 2009/011882/06, is an authorised financial services provider.

Vitality is a separate product sold and administered by Discovery Vitality (Pty) Ltd. Registration number 1999/007736/07, an authorised financial services provider.

Discovery Health (Pty) Ltd, registration number 1997/013480/07, is an authorised financial services provider that is the administrator of Discovery Health Medical Scheme, in terms of its contractual arrangements.

Discovery Health Medical Scheme, registration number 1125, is regulated by the Council for Medical Schemes and administered by Discovery Health (Pty) Ltd, registration number 1997/013480/07, an authorised financial services provider.

Discovery Primary Care is not a medical scheme. The cover is not the same as that of a medical scheme and is not intended to be a substitute for medical scheme membership. Discovery Primary Care is offered by Discovery Life Limited, registration number 1966/003901/06, a registered long-term insurer and an authorised financial services and registered credit provider, NCR Reg No. NCRCP355555. Discovery Primary Care is administered by Discovery Health (Proprietary) Limited, registration number 1997/013480/07, an authorised financial services provider.

Please note that due to the nature of the COVID-19 pandemic, all the information contained in this document is subject to change without notice.

Product rules, terms and conditions apply.