



VITALITY INSIGHTS

Shared-Value Insurance in a COVID-19 world



INTRODUCTION

The global insurance market is in the midst of a game-changing shift that will redefine 'business as usual.' The changing nature and insurers' understanding of risk, are coupled with new opportunities in the form of disruptive technologies and increased customer expectations on the role of institutions in society. These dominant trends have further been amplified during the COVID-19 pandemic.

National lockdowns have fast-tracked digital adoption across the globe in a matter of weeks. Businesses have been required to adapt to and embrace a virtual world or potentially face the reality of insolvency. Likewise, at home workouts, online doctor consultations and digital insurance advice have become the new 'normal.' In addition, COVID-19 has called for unprecedented unity, and for companies to play an active role in protecting peoples' lives and livelihoods. The way in which companies respond during this time can have a direct impact on national and global mortality and the economy.

The COVID-19 pandemic has created new urgency and applicability to Vitality's ability to change behavior for improved health. Healthcare systems across the world are being challenged to keep hospitalizations under control, and Vitality's Shared-Value Insurance model that leads directly to healthier lives is an essential part of managing this disease burden.

Amidst the new challenges imposed, there are a number of learnings and opportunities brought to light. These are evident for all stakeholders in the Shared-Value Insurance model: members, society, distribution and insurers.



MEMBERS

Across the globe, individuals have been struggling to acclimatize to the demands of a COVID-19 world. Given the constraints of national lockdowns, individuals have taken on additional responsibilities such as side online businesses, home-schooling or managing a work from home environment. This, overlaid with the lack of social connection, reduced physical activity and heightened economic uncertainty, has contributed to a decline in overall health. A survey of Vitality UK members highlights the impact on mental wellbeing with a quarter of members reporting higher stress levels and poorer diets during lockdown, and a third suffering from worsened sleep.

COVID-19 REAFFIRMS THE NEED TO ADDRESS MENTAL HEALTH



1 in 4

are suffering **more stress and poorer eating habits** during lockdown

1 in 3

are experiencing **worse sleep patterns** during lockdown

Source: Vitality UK, Daily Pulse survey, May 2020

The threat of COVID-19 reaffirms the need to address both physical and mental health. In addition, it calls for new and innovative ways to continue incentivizing members to maintain or improve their healthy behaviors.

Discovery and the Vitality Group has access to over 50m life years of data, including the correlations between incentives and behavior change, and between behavior change and risk. The ability to follow members, and cohorts of members, over many years facilitates an understanding of how changes in current lifestyle behavior impact on healthcare outcomes and costs in the future. This data is particularly relevant today and differentiates our understanding of the COVID-19 epidemic.

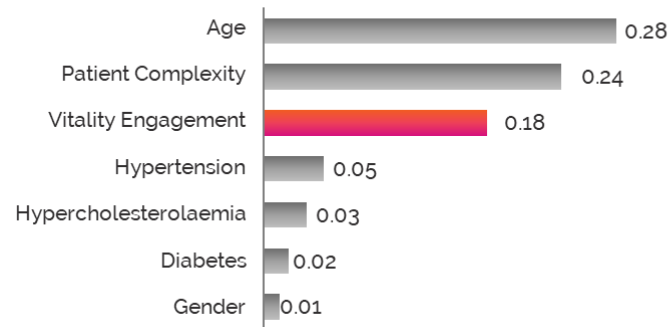
This data asset was the driver to provide deep insights on the contributing risk factors associated with COVID-19 hospital admissions (developed as the COVID-19 Resilience Index) and helped advise on how to adapt the Vitality program to maintain levels of health engagement.

For Discovery South Africa, the COVID-19 Resilience Index identified the top risk factors for hospitalization as Age, Patient Complexity (a measure based on a member's demographic information, medical history and healthcare claims) and Vitality Engagement. While Age, and Patient Complexity are predominantly demographic driven, Vitality Engagement, is a purely controllable factor, highlighting further the relevance of Vitality in a COVID-19 world.

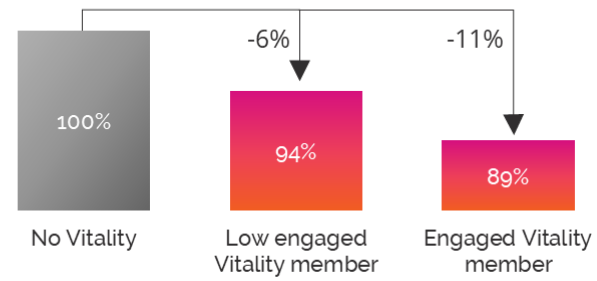
Discovery's insights consider a wealth of historical data and lifestyle behavioral data which enables the effective isolation of factors to help determine an individual's propensity of being admitted to hospital from contracting COVID-19. By contrast, publicly reported data only relies on new data at a point in time from individuals who have contracted the virus.

Vitality data further shows that the benefits of healthy living have a profound impact when it comes to COVID-19 risk. Research suggests that members who engage with Vitality have an 11% lower risk of hospitalization, and even at low levels of engagement, admission risk decreases by 6% compared to non-Vitality members.

TOP CONTRIBUTING FACTORS TO COVID-19 ADMISSION RISK

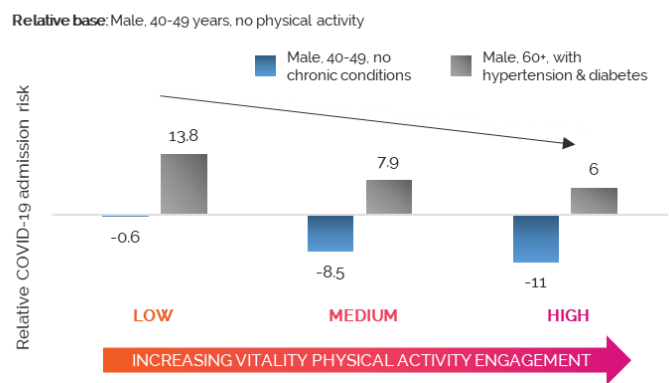


BENEFITS OF HEALTHY LIVING START AT LOW LEVELS OF ENGAGEMENT



In the absence of vaccine, previous immunity and exposure, the emerging picture from COVID-19 cases shows that even amongst those with chronic conditions, engaging in a healthy lifestyle yields immunological benefits. There is a clear relationship between increasing Vitality engagement (such as increased physical activity engagement) and decreased risk of COVID-19 hospital admission – this is evident across ages and chronic condition status.

VITALITY ENGAGEMENT LEVELS ARE A DRIVING FACTOR IN IMPROVING COVID-19 RESILIENCE



Discovery's access to the plethora of data at its disposal has allowed for innovative ways of proactively reaching out to members and segmenting communication based on member risk. Two such communication drives include:

1. SMS campaign to all Discovery Health and Life members: Alerting and informing members of rising infections in their area, the necessary precautions to take as well as their COVID-19 benefits and services.
2. Personalised contact with at-risk members: Approximately 36,000 emails were sent to identified individuals at-risk of being admitted to hospital. In addition, telephonic contact was made with one sixth of those individuals with the highest risk to provide counselling and further support.

Given that Vitality can modulate the risk of admission and is highly responsive to emerging challenges posed by COVID-19, the program has been adapted in certain markets to preserve engagement. Vitality in South Africa and the UK have enhanced their programs with a 'Vitality at Home' offering. This involved the launch of new partnerships (such as [JEFF](#), [Jennis](#) and [Peloton](#)) to provide members with access to home workouts and the ability to earn Vitality points for participation. These platforms have elicited strong levels of engagement and will act as a springboard for the global expansion of partnerships with digital platforms going forward.



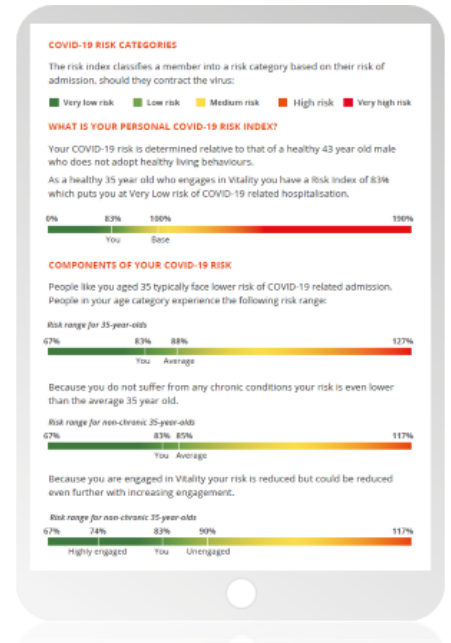
SOCIETY

COVID-19 calls for companies to go above and beyond their business as usual requirements for 'Corporate Social Responsibility'. In light of the pandemic, Discovery views contributing to society as a moral imperative and license to operate, rather than an opportunistic act or legal obligation. Discovery Group has extended access to its health assets to those beyond its insured base and is using its data and the Shared-Value Insurance model to develop specific interventions for the public, healthcare professionals, employers and charities.

The public

A concrete example of the manifestation of Discovery's data asset is the innovative COVID-19 Resilience Index. This online assessment tool is available to all South Africans to help determine whether individuals have heightened risk factors for contracting COVID-19. The index also provides personalised recommendations on how to reduce the risk of exposure. The intention of this living tool is to help shape the response strategy of organizations and governments as the disease progresses globally.

Another example is evident in Discovery extending access of its healthcare platform, *DrConnect*, to safeguard the health of both citizens and healthcare providers. All South Africans can access free virtual doctor consultations during the pandemic, delivered through a partnership with the leading telecommunications player, Vodacom.



Healthcare professionals

In order to directly protect the health and well-being of the medical front-line, Discovery has implemented several initiatives to support South African healthcare professionals. Examples of these initiatives include, providing doctors with personal protective equipment as well as offering flu vaccines to these essential workers. Discovery has also extended free access to doctors to both *HealthyCompany* (which provides psychological, financial and legal advice) as well as Vitality Active Rewards to help encourage the maintenance of healthy lifestyles wherever possible.

Employers

With the huge increase in remote working, many employers are struggling to gather data on the health risks facing their employees as well as put in place solutions to support employees in their new working environments. Discovery's COVID-19 Resilience Index provides one solution to this challenge, enabling employers to evaluate their employees' risk and determine which individuals need additional protection and isolation.

EMPLOYER BENEFITS FROM COMPREHENSIVE INSIGHTS



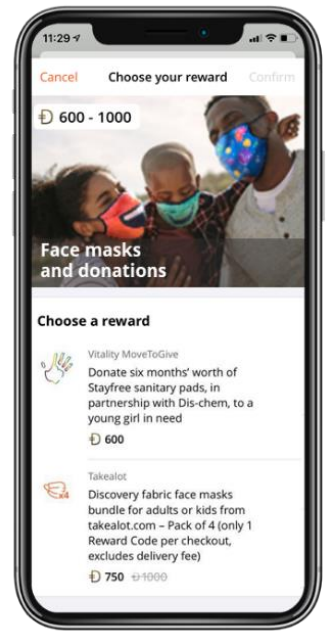
Vitality UK has also responded to this challenge with the launch a new product offering called '*Vitality at Work Enterprise*' - to help businesses support the wellbeing of employees working from home, via offices or on site during COVID-19. Businesses will be offered access to employee health and wellbeing workshops, dedicated activity and exercise classes, mental health support as well as access to incentives on the Vitality Program. Employers too benefit from regular reports on employee health, engagement levels and guidance on health risks at work. Ultimately driving proven improvements in employee mental and physical health, work performance as well as productivity.



Given the abrupt changes in work environment, the need for additional and tailored employee support is clearer than before. This may suggest the 80% uplift in gross new lives of Discovery's Employee Assistance Program, *HealthyCompany*, during the period January-May 2020 compared to the prior year. *HealthyCompany's* offering has been expanded to include specific efforts addressing physical, emotional and financial wellbeing challenges faced by employers and employees during the pandemic.

Community

Discovery Vitality expanded its suite of reward options in the Vitality Active Rewards program to support COVID-19 relief efforts. Member rewards now include face masks, hand-sanitizers as well as donations to several relevant community projects. Furthermore, Discovery leveraged its widespread reward partner network to sell a range a fabric face masks and donate all proceeds to charitable causes.





DISTRIBUTION

The global economy has experienced significant volatility amidst the uncertainties of the pandemic. As may have been expected, financial services were not immune from the impact caused by COVID-19 and national lockdowns, particularly on new business. But despite the common declines in sales across different business units, Vitality Group has identified several pockets of resilience and growth in certain markets and product lines.

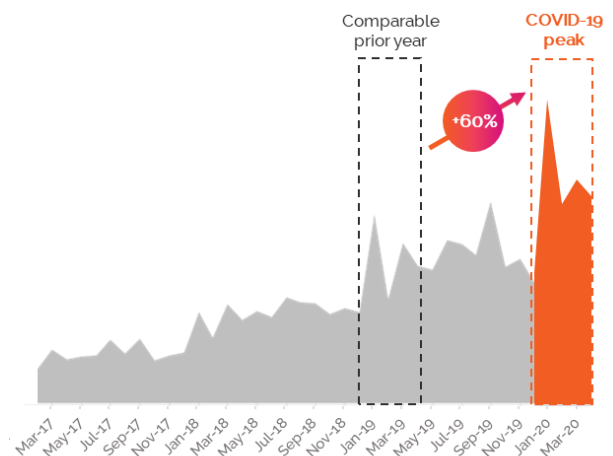
In the UK, new business for VitalityLife and VitalityHealth was approximately 30% lower over the period March-June 2020 compared to the prior year. By contrast, during the same period, VitalityInvest despite being in its infancy as a business, was able to weather the storm, experiencing increases of 135% compared to the prior year.

In South Africa, Discovery Health gross new lives decreased by 16% for the period January-May 2020 compared to the prior year. Despite the slight pull-back in new business, fewer lives have been withdrawn from the medical scheme compared to the same period in 2018 and 2019. This may suggest that members are placing a higher value on the importance of staying covered considering the COVID-19 crisis.

Ping An Health saw its strongest sales through the peak of COVID-19 in China, with revenue up 60% during January-April 2020 compared to the prior year. To some extent, the business thrived during lockdown with the product being sold through online channels. This enabled sales to effectively continue via brokers and direct-to-consumer through Ping An Health's app despite the nationwide closure of insurance branches.

The uplift in sales can partly be explained by an emphasized need for health protection and additional cover during these more vulnerable times. In addition, given the physical restrictions of lockdowns, the resilience of new business will certainly be higher for insurers with digital distribution capabilities in place.

Ping An Health revenue
(March 2017 - March 2020)



Advisor performance

Considering the overall sales impact in isolation can provide a misleading perspective. Discovery South Africa's data shows that there is a large discrepancy in the performance of the advisor community during COVID-19. Many advisors took a break during the period and intentionally slowed down their activity. For many others, the change in environment and approach helped them to perform significantly better than before the pandemic. For a segment of Discovery Life's distribution channel, one fifth of advisors achieved an increase in their average monthly production during lockdown (March-May 2020) compared to the prior 8-month period. In addition, 10% of advisors (including some of the highest producing advisors), more than doubled their sales during lockdown.

1 in 5 advisors
increased monthly production during lockdown

>2X increase
in production by 10% of advisors during lockdown



Outperformers during lockdown:



YOUNGER GENERATION



DIGITAL AND TECH-SAVVY



RELATIONSHIP BUILDER

In general, individuals experienced additional time on their hands with less travel requirements and social commitments during lockdown. Furthermore, COVID-19 presented heightened awareness around every individual's own mortality and financial security. This presented an opportunity for advisors to boost their sales by reconnecting with both existing clients interested in additional cover and new clients looking to purchase health or life insurance for the first-time.

Naturally, the advisors who outperformed during lockdown were able to use technology to their advantage and effectively perform end-to-end new business all virtually. Emerging evidence shows that the typical 'successful' advisor profile

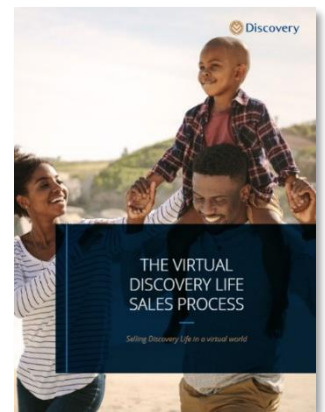
during this time comprised of younger, tech-savvy advisors as well as those focused on nurturing and building new client relationships.

Distribution support

Discovery has used COVID-19 as a catalyst for change to support advisors in new, digital ways and respond to member needs for highly relevant, value for money products. Discovery performed its first-ever fully digitized launch in May 2020, aimed at equipping advisors with the latest set of products and digital tools. Despite being in a national lockdown, the Discovery team were able to deliver product enhancements across its full suite of businesses (Health, Life, Invest, Insure, Bank, Corporate Benefits and Vitality.) The launch was remarkably successful with over 7,000 participants virtually joining from across the country, followed by an abundance of post-launch interventions to empower the distribution channels.

Select examples of these interventions include:

- The distribution of comprehensive marketing collateral made available to download electronically immediately after launch
- Digital masterclasses on each of the product benefits to equip advisors with the required knowledge and resources
- Support for new business through smart underwriting tools and technology solutions to activate cover for clients without access to medical tests during lockdown. This has streamlined the underwriting process in general, with 99% of new cases underwritten in under 6 hours.
- The roll-out of mini-labs hosted in over 70 of Discovery's franchise offices nationwide, enabling nurses to process medical tests for underwriting requirements. In less than 2 months of introducing these mini-labs, around 3,500 client appointments have already been made.
- To protect existing adviser portfolios, Discovery implemented various premium relief options for members which helped to keep over \$1.2 billion of cover in force
- New AI quoting functionality where a quick and comparable Discovery quote can be generated for the client by providing information from another company's quote
- Digital platform training support enabling advisors to effectively connect with and present information to clients online
- New, rewarding incentive structures and special offers to help drive sales within distribution channels



In the midst of the crisis, instead of focusing on business as usual, Discovery used the pandemic as a call to action - to respond to clients' needs for financial resilience and value for money with innovation, urgency and drive across all product offerings.



INSURER

The COVID-19 pandemic has elevated the phenomenon that the nature of risk is behavioral. The Vitality Shared-Value Insurance model has traditionally focused on improving controllable lifestyle behaviors (such as encouraging increased physical activity and improved nutritional choices) which drive the onset of Non-Communicable Diseases (NCDs) and the subsequent impact on morbidity and mortality. The pandemic has magnified the importance of addressing lifestyle-related risk, where global research demonstrates that more than 50% of COVID-19 related deaths are attributed to individuals with three or more comorbidities. It has become clear that the relationship between lifestyle behaviors and NCDs extends to communicable diseases as well.

In the absence of a vaccine against COVID-19, there are three controllable behaviors which governments and organizations around the world have advocated for to help reduce an individual's health risk in a COVID-19 rife world. These behaviors include social distancing, regular washing of hands, and the wearing of a face mask.



These behaviors are quickly being adopted as common practice worldwide, but Vitality's global research suggests the importance of positive health engagement as the fourth behavior on which to focus. Vitality engagement has been shown as the top contributing controllable factor for individuals to reduce their hospital admission risk upon contracting COVID-19. This highlights the critical role that insurers can play in managing health risk - by incentivizing healthy behaviors through members engaging with Vitality. Insurers and governments are uniquely positioned as the only entities that benefit from driving healthy behaviors and can tangibly monetize improved health outcomes. Amidst this global pandemic, insurers can make a revolutionary contribution towards building even more resilient communities.

As the world rides the health-economic rollercoaster of balancing the cost of lives versus livelihoods, the Vitality core purpose of 'making people healthier and enhancing and protecting their lives' has never been more pertinent. The Vitality brand has been elevated across the globe through new 'Vitality at Home' launches, the powerful use of Vitality data in isolating COVID-19 related risk factors as well as the meaningful contributions to employers and society. Moreover, the brand is top of mind for consumers through the fundamental role that Vitality insurance partners play as innovative market leaders and critical service-providers to over 20 million lives across 24 markets today.





CONCLUSION

Traditional insurance models fail to consider the behavioral nature of risk - focusing on risk as a function of pre-existing conditions rather than controllable human behavior. By contrast, the Vitality Shared-Value Insurance model relies on incentivizing healthy behaviors to drive its success. The approach of making people healthier, while simultaneously lowering the price of insurance, is the solution to making a profound contribution - by building resilience against non-communicable disease, and through the COVID-19 pandemic, on communicable diseases too. The epidemic has created deeper application for and elevated importance of the Vitality Shared-Value Insurance model - bringing to light new insights and opportunities, creating and compounding value in a virtuous cycle for all stakeholders.

