Introducing VitalityLife – Mortgage Plus Plan

ANTOINETTE RIZZI
NATIONAL ACCOUNT MANAGER
Agenda

VITALITYLIFE

TACKLING THE MORTGAGE MARKET

ADDRESSING THE INCOME PROTECTION GAP
UK BUSINESS IS NOW FULLY OWNED BY DISCOVERY

2007
Expansion into protection
50%
Discovery
PRUDENTIAL

2007
PRUDENTIAL

2010
Acquisition of Standard Life HealthCare
75%
Discovery
PRUDENTIAL

2010
PRUDENTIAL

2014
Transition to full ownership
100%
Discovery

Discovery Group
Vitality Health Life
OUR CORE PURPOSE

Make people healthier and enhance and protect their lives.
DISCOVERY’S STRATEGY FOR THE UK: DISTRIBUTION & BRAND INVESTMENT

18 franchises; 140 business consultants; Reaching 8000 brokers
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TACKLING THE MORTGAGE MARKET

ADDRESSING THE INCOME PROTECTION GAP
A renewed focus on sustainable lending:

New mortgage rules: the questions you will be asked

New rules come into force at midnight tonight aimed at ensuring borrowers are not offered loans they cannot afford. We warn on exactly what to expect.

Borrowers should prepare for a long list of detailed questions about their income and spend.

Source: Telegraph & BBC, 2014
EXISTING WAYS TO MANAGE RISK

SAVINGS
45% of UK mortgage payers have less than £10,000 in savings

STATE
Means testing creates uncertainty
High claim threshold
Low benefit amounts

INSURANCE
64% of couples with mortgages have no life insurance
94% of couples have no income protection

FAMILY
No certainty around support
Impact on future relationship

Death
Serious Illness
Incapacity

CUSTOMER RISK

MORTGAGE MARKET PARADOX

Misalignment of some product sales to customer need
MORTGAGE MARKET PARADOX

Misalignment of some product sales to customer need
TRANSFORMING THE MORTGAGE PROTECTION MARKET

MORTGAGE PLUS PLAN
PROVIDING TAILORED COVER FOR KEY RISKS

1. Cover that pays off mortgage on death
Up to 24 months Incapacity cover for mortgage payments due to serious illness
Optional Serious Illness Cover for adults and children
MORTGAGE PLUS PLAN

PROVIDING TAILORED COVER FOR KEY RISKS

Cover that pays off mortgage on death

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Optional Serious Illness Cover for adults and children

SIMPLE UNDERWRITING PROCESS

No financial or occupational underwriting on incapacity cover
MORTGAGE PLUS PLAN

PROVIDING TAILORED COVER FOR KEY RISKS

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SIMPLE UNDERWRITING PROCESS

No financial or occupational underwriting on incapacity cover

QUICKER UNDERWRITING PROCESS

Higher straight through processing rates than traditional income replacement products
**MORTGAGE PLUS PLAN**

<table>
<thead>
<tr>
<th>Feature</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Providing Tailored Cover for Key Risks</td>
<td>→ Cover that pays off mortgage on death</td>
</tr>
<tr>
<td>→ Up to 24 months Incapacity cover for mortgage payments due to serious illness</td>
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<td>Simple Underwriting Process</td>
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<td>→ Higher straight through processing rates than traditional income replacement products</td>
<td></td>
</tr>
<tr>
<td>Quicker Underwriting Process</td>
<td>→ An integrated wellness solution with Vitality Optimiser*</td>
</tr>
<tr>
<td>4 A Positive Proposition that Provides Both Short-Term and Long-Term Value</td>
<td></td>
</tr>
</tbody>
</table>

*Additional monthly fee applies to access rewards and cashback with Vitality Optimiser*
SOLVING THE MORTGAGE MARKET PARADOX

Up to 4 times more likely to claim on Mortgage Plus Plan compared to traditional Life Cover

Providing affordable protection customers need

**Source: Hannover Re UK Life Branch November 2014**
For a 45 year old non-smoker with £250,000 of decreasing cover with a 25 year term:

**COST OF COVER:**

<table>
<thead>
<tr>
<th>Coverage</th>
<th>Cost pm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life cover</td>
<td>£32.28</td>
</tr>
<tr>
<td>Mortgage Plus Plan (£1,000 of cover pm)</td>
<td>£44.64</td>
</tr>
<tr>
<td>With Vitality Optimiser*</td>
<td>£35.71    total protection premium</td>
</tr>
</tbody>
</table>

*Additional monthly fee applies for rewards and cashback benefits. Includes effect of 5% special offer.

^Source: Hannover Re UK Life Branch November 2014
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TACKLING THE MORTGAGE MARKET

ADDRESSING THE INCOME PROTECTION GAP
Why do we need income protection?

TACKLING THE INCOME PROTECTION GAP

Cover needs to extend beyond the mortgage.

Each year one million people have to stop work for more than four weeks due to illness or injury.

Cover for day-to-day expenditure

- Spending on mortgage
- Other household expenditure

22%

78%

Source: ONS, 2012 and Cover Magazine, 2014
TACKLING THE INCOME PROTECTION GAP

SHORT-TERM INCOME PROTECTION
SHORT TERM INCOME PROTECTION

1. COVER WHEN YOU NEED IT
   Cover for your income for up to 24 months if you are unable to do your own job due to illness or injury

2. MULTIPLE CLAIMS
   Ability to claim for more than 24 months if you suffer a different condition during the policy term

3. HELPING TO IMPROVE YOUR HEALTH
   An integrated wellness solution with Vitality Optimiser*

*Additional monthly fee applies to access rewards and cashback with Vitality Optimiser
Key differentiators of our solution

SHORT TERM INCOME PROTECTION

- RECOVERY BENEFIT
- BACK TO WORK BENEFIT
- OWN OCCUPATION COVERAGE
- COVER FOR SELF-EMPLOYED
- INTEGRATED WELLNESS
SUMMARY

1. A new name → VitalityLife

2. An integrated mortgage protection solution → Mortgage Plus Plan

3. Tackling the income protection gap → Short-term Income Protection
New Partners
SUMMARY OF PARTNER CHANGES

We are removing some of our less used partners to make way for even more partners.

**Our new partners**

Our new partners will become available for new business from end of January 2015:

- Starbucks
- British Airways
- Garmin
- iTunes
- Bluecrest Health Screening
- Facebook

**Expanding partners**

New business: These partners will no longer be available for new business from 1 January 2015:

- Mark Warner
- Merlin
- Ticketmaster
- Buymobile.net

Existing business:
Mark Warner and Merlin are available up to renewal in 2015.

Ticketmaster and buymobile.net are available up to 1 Feb 2015. Existing phone contracts will be honoured until the end of their term.
Compared with inactive people, those who run/walk for 15 minutes a day have a 14% lower mortality risk, and a 3 year longer life expectancy.

Relatively simple exercise behaviours (e.g. walking, cycling) may more easily become habitual than behaviours that are rather complex (e.g. attending an organized fitness program)...

Source: “Physical exercise habit: on the conceptualization and formation of habitual health behaviours”, Henk Aarts, Theo Paulussen and Herman Schaalma
More than one million wearables are expected to be sold this Christmas.

Analysts are heralding 2014 as the year the wearable finally fully breaks into mainstream consciousness.
MAKING IT CHEAPER TO TRACK ACTIVITY

50% off selected Garmin activity tracking devices
Includes Garmin Swim, so now swimmers can be rewarded too
One of the largest producers of activity trackers in the market

Each adult member can earn 50% off either a Garmin or Polar device during the lifetime of their plan.
MAKING IT EASIER TO TRACK ACTIVITY AND GET ACTIVE

Now you can link more activity devices and earn Vitality points with free mobile app Moves

Moves:
Free App for iPhone & Android
REWARDING ACTIVITY THROUGH A NEW REWARDS CATEGORY

We have been inspired by the success of the cinema benefit in increasing Vitality Age completion; can we now use it to motivate regular physical activity?

Active Rewards

How it works:

WEEKLY REWARDS
9 points unlock a weekly reward

MONTHLY REWARDS
40 points unlock a monthly reward

1 movie AND 1 drink per week
Minimum of 1 song per month
INTRODUCING FREE PASS FOR VITALITY GOLD AND PLATINUM MEMBERS

To recognise the efforts of our Vitality Gold and Platinum members, we are giving these members immediate and ongoing access to Active Rewards, regardless of their weekly and monthly points earning.
CHANGING THE VITALITY POINTS STRUCTURE TO ALLOW EASIER PROGRESSION FOR FAMILIES

Reduced Status Requirements

Unchanged

Couple and family

1 - Couple with 18+ Dependent, 2 - Available from Q2 2015 for new business and renewal
### Status Rewards

**Rewarding ongoing engagement for the attainment of health goals**

<table>
<thead>
<tr>
<th>Status</th>
<th>Bronze</th>
<th>Silver</th>
<th>Gold</th>
<th>Platinum</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>10%</td>
<td>20%</td>
<td>40%</td>
<td>50%</td>
</tr>
<tr>
<td>Lloyds Pharmacy</td>
<td>£250</td>
<td>£300</td>
<td>£400</td>
<td>£500</td>
</tr>
<tr>
<td>Evans Cycles</td>
<td>£50</td>
<td>£75</td>
<td>£100</td>
<td>£125</td>
</tr>
<tr>
<td>Mr &amp; Mrs Smith</td>
<td>25%</td>
<td>35%</td>
<td>40%</td>
<td>50%</td>
</tr>
</tbody>
</table>

Subject to terms and conditions
ANNOUNCING AN EXCITING NEW STATUS REWARD PARTNER

Up to 40% off return flights including taxes and charges, to more than 70 destinations within UK and Europe
### Vitality Status, Discount off total fare*, Number of return flights per life per annum

<table>
<thead>
<tr>
<th>Vitality Status</th>
<th>Discount off total fare*</th>
<th>Number of return flights per life per annum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bronze</td>
<td>5%</td>
<td>1</td>
</tr>
<tr>
<td>Silver</td>
<td>20%</td>
<td>1</td>
</tr>
<tr>
<td>Gold</td>
<td>30%</td>
<td>2</td>
</tr>
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<td>40%</td>
<td>2</td>
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Number of flights per annum applies to each life named on the policy.
The discount applies to return economy flights and is subject to a minimum stay depending on the day of departure.
2 nights stay needed for Sun to Thurs departures, and 1 night overnight stay needed for Fri and Sat departures.