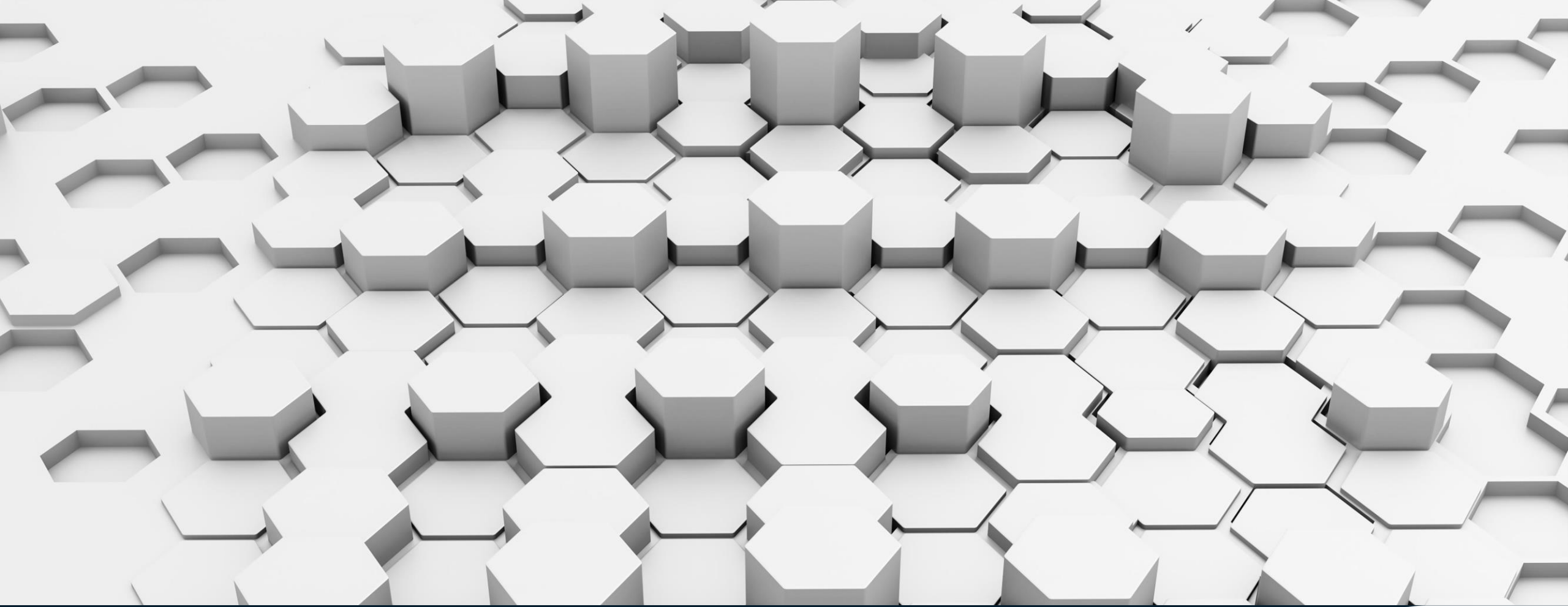




Panel Discussion on Rewards Programmes and Market Conduct Considerations



Our Panel



Adèle Goosen – Associate Partner at EY (Chair)

Riaan van Reenen – CEO of Discovery Life

Nathea Nicolay – Head of Product for Sanlam's Wealth Bonus rewards system

Johann le Roux – CEO of Momentum Life

Agenda



1. Philosophy of the different loyalty and rewards programs
 2. Some of the issues providers of rewards programs consider
 3. Potential market conduct issues and how the risk is mitigated
 4. Questions
-

Philosophy of



Discovery Life

The shared-value model philosophy



WHY

Make people healthier and enhance and protect their lives



Life
insurance

4 > **4** > **60**
Lifestyle behaviours Chronic conditions % Deaths worldwide

Poor diet | Physical inactivity | Tobacco use | Excess alcohol intake

Source for 4/4/60 statistics: World Health Organisation

HOW



WHAT

Life insurance

Health insurance

Short-term insurance

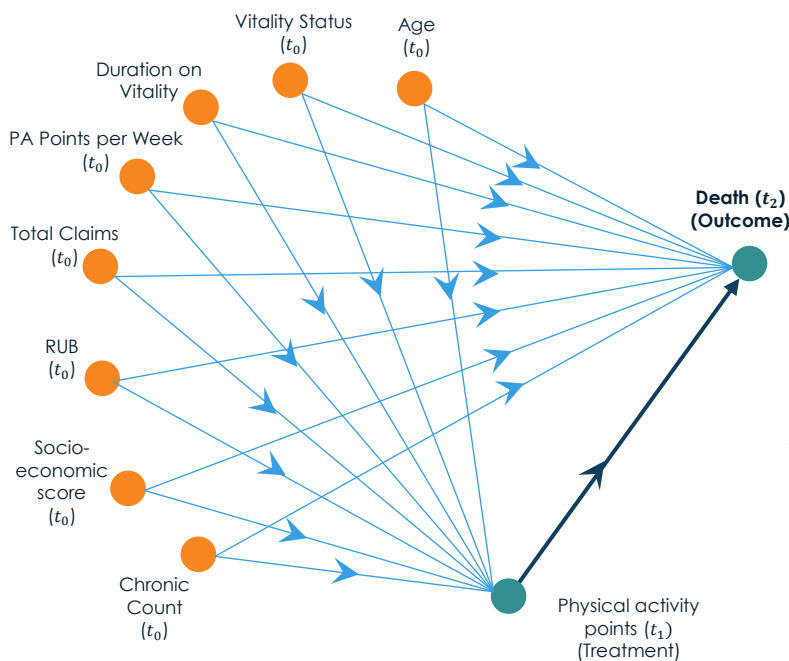
Long-term savings

Banking

Behaviour change has a causal impact on health and mortality

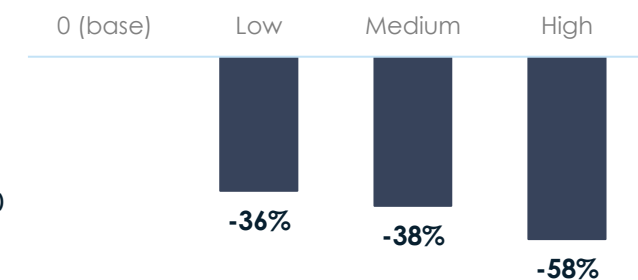


Understanding the impact of physical activity on mortality after adjusting for confounding factors

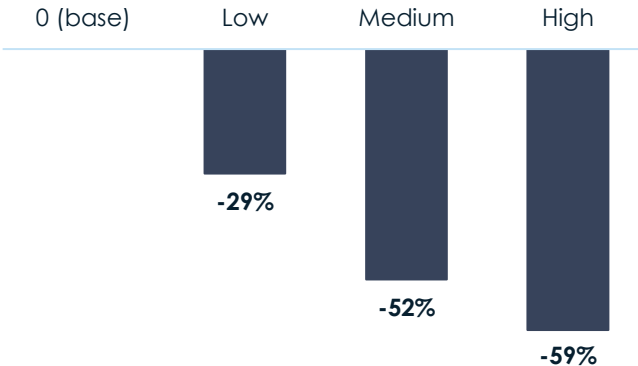


Physical activity has a significant impact on mortality and it increases by age

Relative mortality for the 45-65 age group



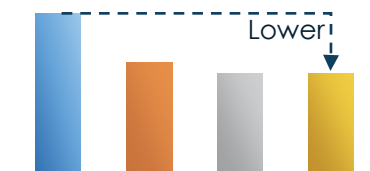
Relative mortality for the 65+ age group



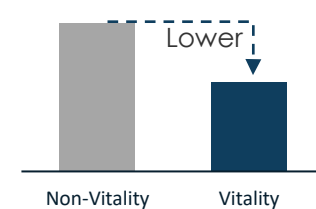
Source: Discovery research

More engaged members show significant mortality improvements across markets

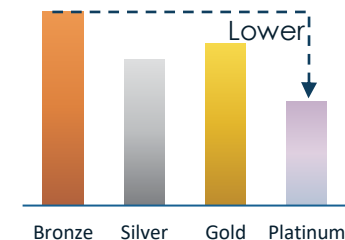
South Africa



Japan



United Kingdom



United States

VHC reports compared to prior year

79% reported same or better fasting glucose

69% reported same or better cholesterol

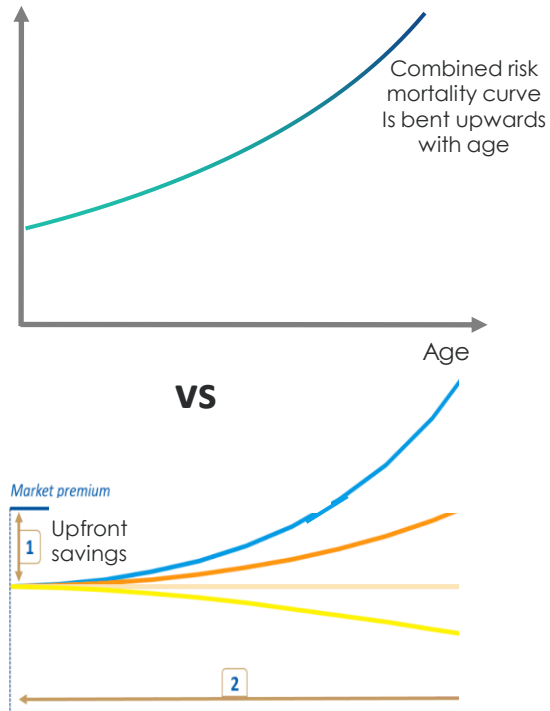
82% reported same or better diastolic blood pressure

Traditional Life models are inefficient



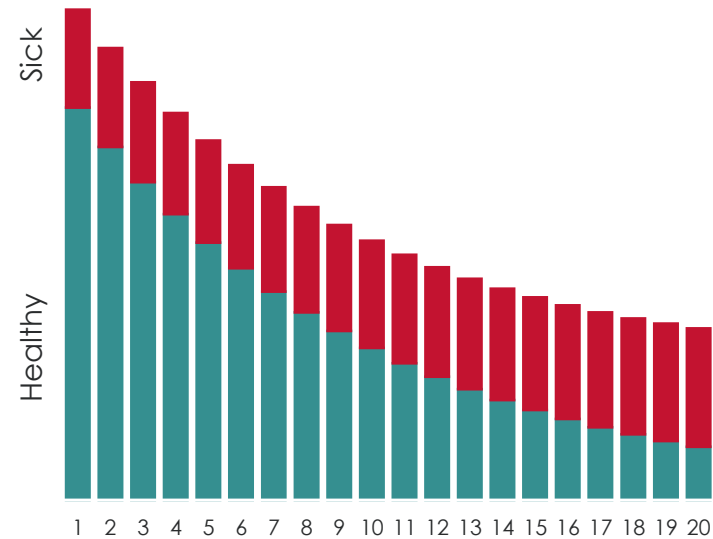
Static pricing of risk at inception

Premium remains flat over policy duration



Illustrative portfolio development over time

Healthy members lapse, risk status of book deteriorates



Rationale for a shared-value model

- 1) A static premium based on once-off u/w effectively **pools controllable risks** which is **ineffective and inequitable** and leads to **price and risk diversion** as well as adverse selective lapsation over time
- 2) This is accentuated by the fact that **behaviour has profound causal impacts** on risk, along with the nature of risk changing to non-communicable diseases

As a consequence:

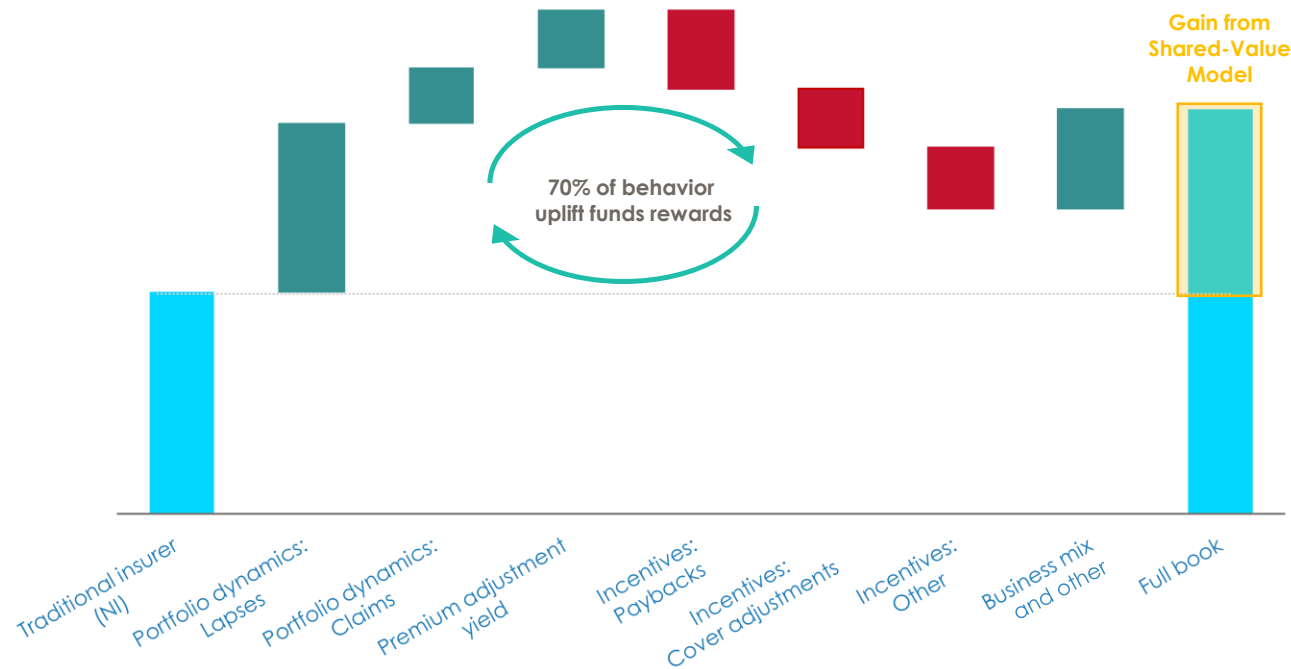
- The cost of cover for the portfolio is higher
- Fewer people are covered
- The book is in worse health with low social impact

Dynamic pricing and incentivised behaviour

Constituents of shared-value



Illustrative new business value dynamics



Shared-value model unlocks value that is shared with policyholders

- Model has the dynamic effect of healthier stayers relative to leavers.
- Dynamic drives superior value creation compared to a traditional insurer.
- c70% of the uplift in value is typically returned back to policyholders through the rewards and benefits encouraging behaviour

By its dynamic design, the model evolves and adapts over time



- Founded in core purpose: Making people healthier and enhance and protect their lives.
- Primarily focused on reducing controllable risk.
- Programme adapts with experience learnings over time, new technology and changes in operating environment.
- Refinements are made to ensure alignment of risk to status or rewards, thereby maintaining incentives to improve health.

Examples of previous programme refinements



Check list for refinements



- ✓ **Contributes towards risk stratification**
- ✓ **Expected behaviour change leads to risk improvement**
- ✓ **Justifiable and credible rationale – not goal-shifting**
- ✓ **Attainable and aspirational to the correct risks**
- ✓ **Simple for members to understand**
- ✓ **Life product has guardrails and guarantees to provide enhanced certainty**

Philosophy of

SANLAM'S WEALTH BONUS®
REWARDS ECOSYSTEM



WHY – OBJECTIVES

Business objectives that Rewards enables across the Sanlam Group of companies

ACQUISITION

Improves the value proposition of the core financial product and shifts the conversation beyond price



PERSISTENCY

Engaged clients are less likely to lapse their core financial products



CROSS SELL

Consistent value proposition across the group that enables the cross selling of products



INTERMEDIARY ENGAGEMENT

Provides Intermediaries good news stories and increased opportunities for client engagement



FINANCIAL CONFIDENCE

Improved financial outcomes for clients



WHAT STAKEHOLDER NEEDS

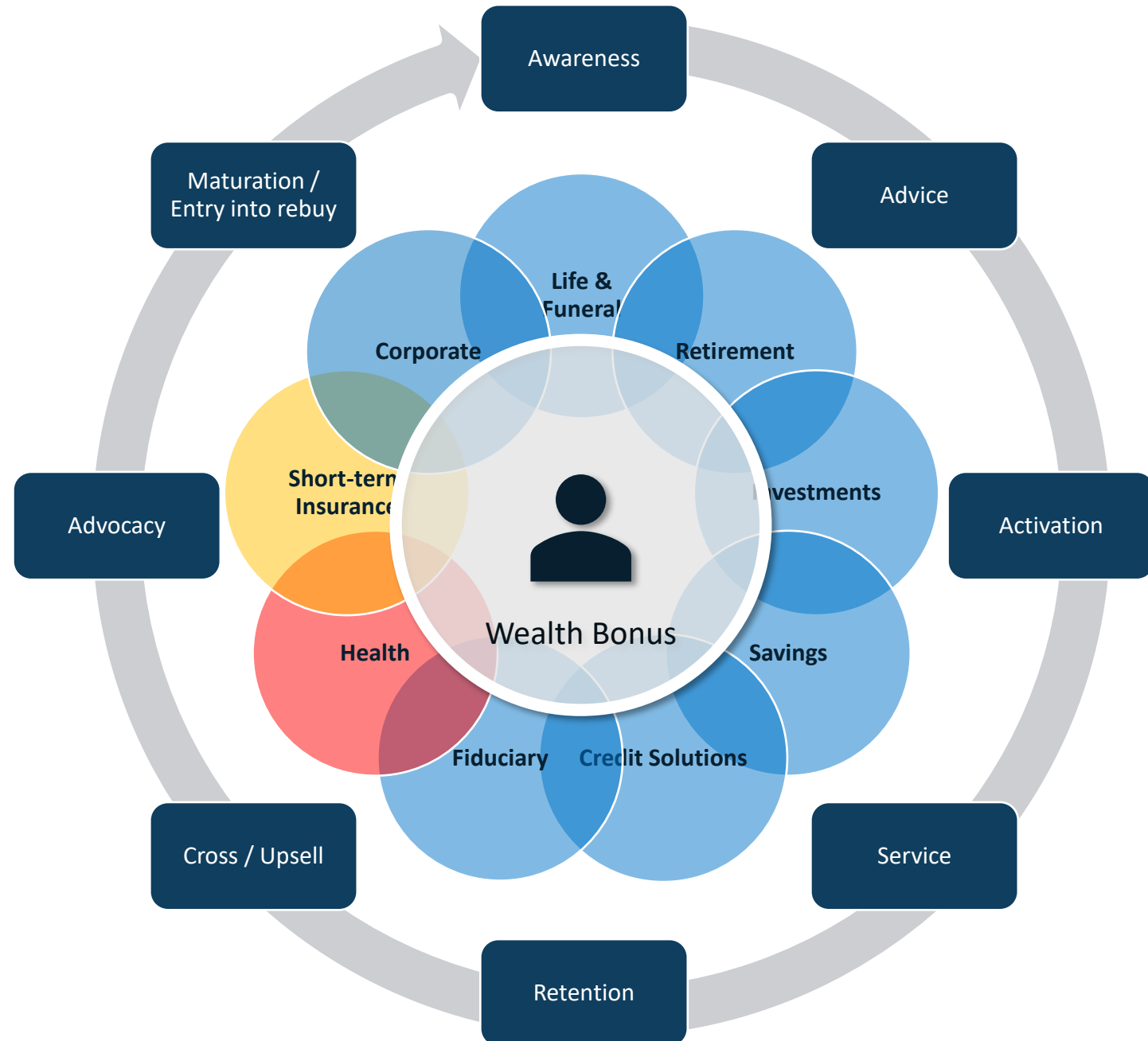
Enabled

- Matrix Premier
- Echo RA, Preserver
- Wealth Edge Endowment
- Money Saver
- Sanlam Personal Loans

- Sanlam Corporate
- Retail Mass
- Sanlam Credit Solutions
- Sanlam RA
- MiWay

Boosters

- Health Boost
- WB Booster for Graduates & Professionals



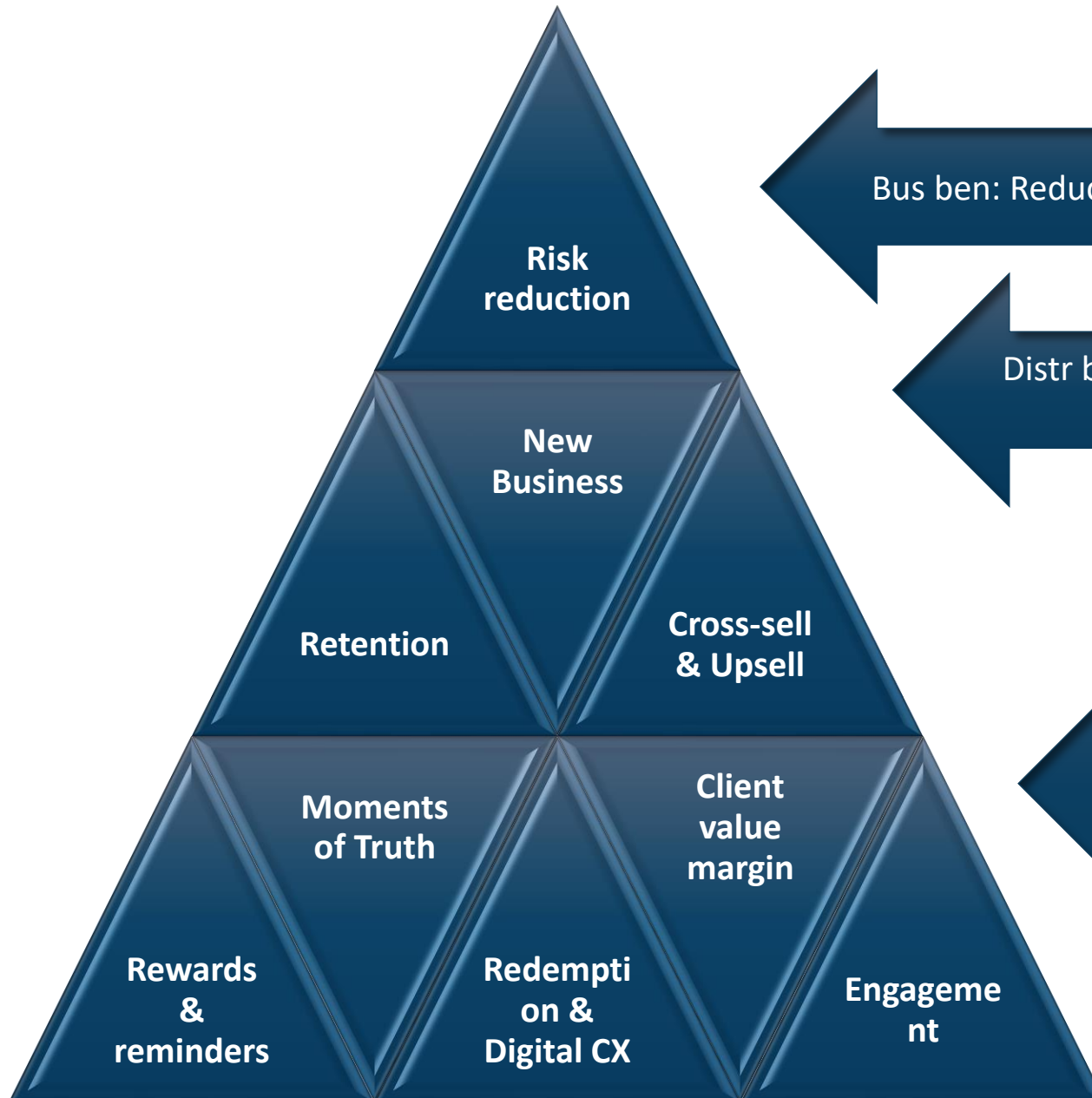
Philosophy of Sanlam's Wealth Bonus® Rewards ecosystem



- The Wealth Bonus Rewards ecosystem is premised on the philosophy of **rewarding clients through cash-backs in stead of premium discounts.**
- Sanlam supports and **rewards clients** who
 - retain their policies,
 - pay their premiums and/or remain invested
 - with built in **monetary Wealth Bonus – providing cash-backs instead of premium discounts**
- **Sanlam underwrites once and provide premium certainty**
- Sanlam **contributes a percentage of premium or admin fee** to a
 - long-term Wealth Bonus that
 - grows with market related interest over time
 - Wealth Bonus unlocks as future **policy milestones** are reached
- Sanlam also offers **lifestyle benefits:**
 - Free to member Wealth Bonus lifestyle benefits
 - Paid for Sanlam Reality with earn & burn
 - New rewards concepts
 - Short term loyalty & rewards driving behaviour like persistency
- Sanlam focuses on driving financial well-being, financial confidence, **premium certainty and inclusivity.**



PRODUCT & CLIENT NEEDS



Bus ben: Reduction in churn & risk only possible with below building blocks

Distr ben: New business, cross-sell & upsell through value to client plus distribution adoption

Client benefit:

- To get the share of wallet
 - Manage my risk
 - Reward me in short-term, remind me
 - Be important - use the moments of truth
 - Redemption & digital - seamless CX
 - Client Value Margin cost vs value unlocked
 - High engagement

Philosophy of Sanlam's Wealth Bonus®

Rewards ecosystem



- Premium guarantees vs innovation
 - Innovation and reward for good/healthy behaviour can be offered in **a different manner** to a discount on a premium ie
 - Points/cash rewards for exercising or driving safely
 - The right to know your health status is aspirational
 - Younger and healthier lives might accept premium uncertainty in order to embrace innovation in health improvement. However, when they age and uncertainty continues, this might lead to **resentment and hardship**
- Communication & legislation alone **will not provide adequate protection to** policyholders
- Insurers are experts in risk management and should use their expertise (professionals) and capital to **guard against** unnecessary premium fluctuation
- **Inclusive product design** is important in South Africa where it is expensive to enjoy health & security
- **Simplicity is key** to sustainable financial products
- **Product design** should align the needs of insurers and policyholders to create synergies and enlarge the cake for everyone



Philosophy of **Multiply and Myriad**



Objectives of loyalty programmes in the insurance industry

- Risk selection mechanism
- New business growth
- Client engagement
- Client retention
- Cross-sell intent
- Brand loyalty

For ultimate
LOYALTY,
get a dog...

For everything
else, you have
TRUTH.

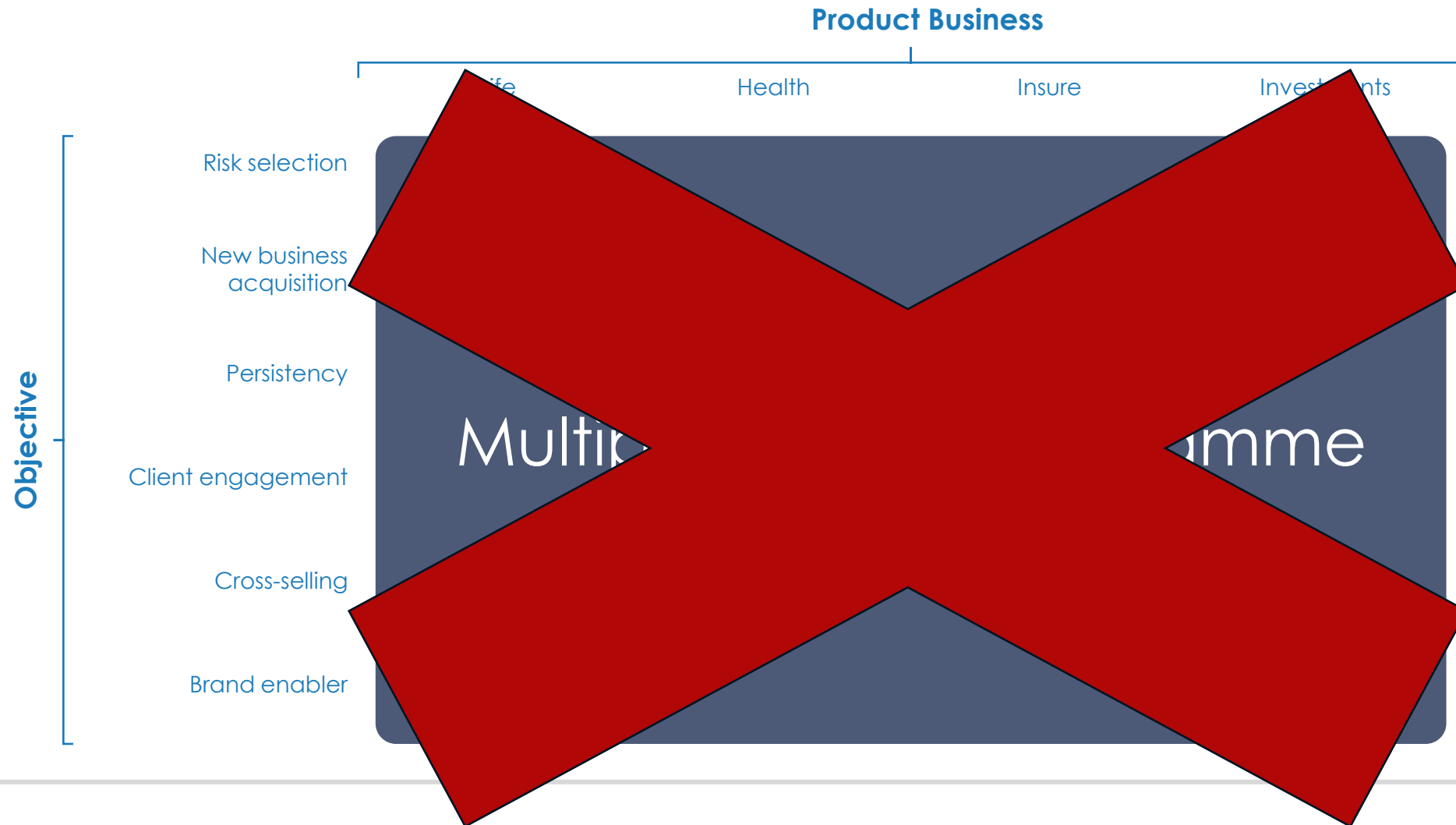
truth
CUSTOMER LEADERSHIP



Integrated Group Loyalty Programme



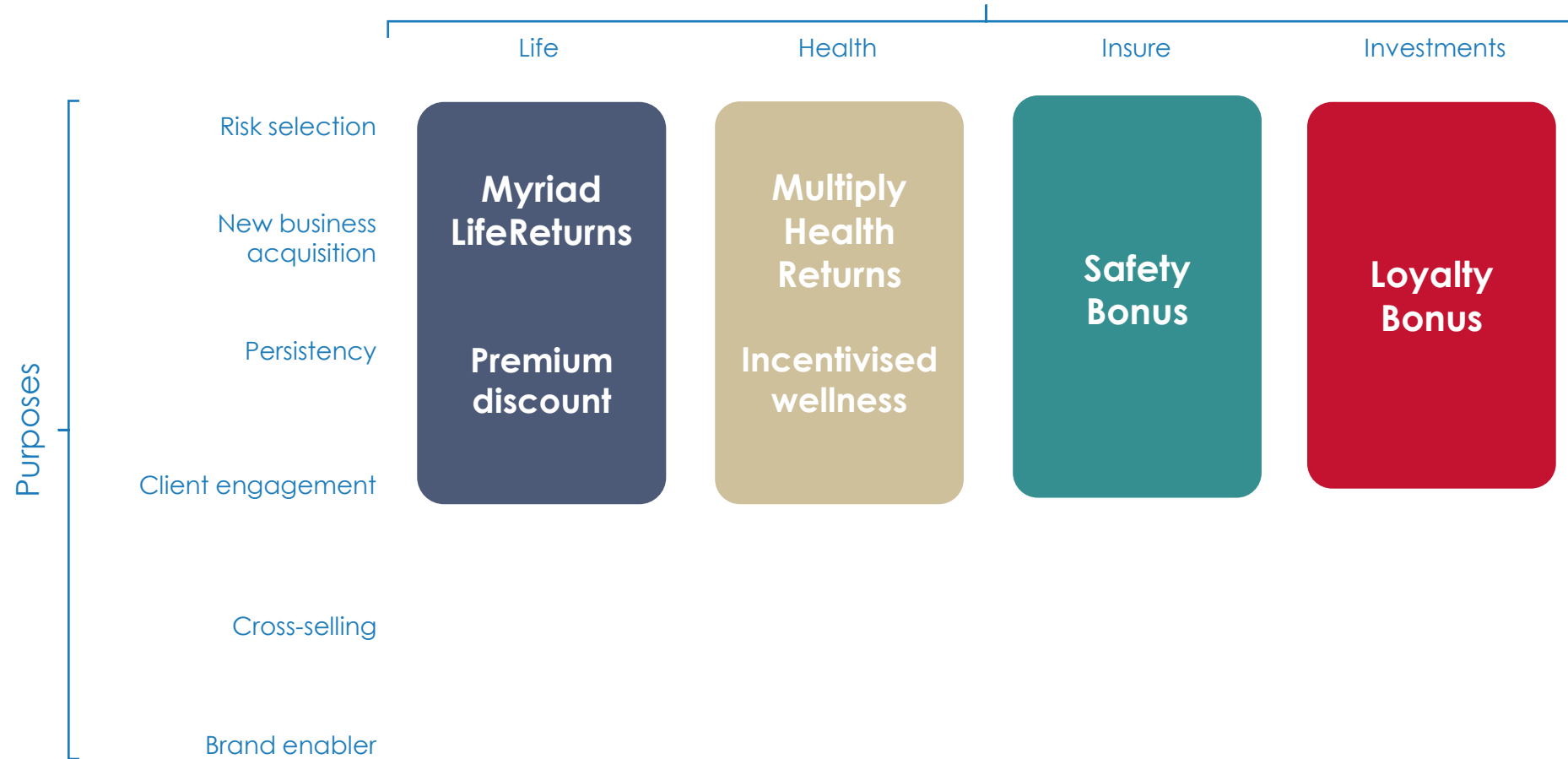
Combines product rewards, partner rewards in a points earned/status model



Modular approach to Product Loyalty



Focused rewards executed by product businesses going forward



New unique proposition



Enabled by **technology**

All clients will benefit equally



Irrespective of premium size

More discounts for more people **for less**

Discount certainty upfront



-  Monthly membership fees
-  Points or status accumulation
-  Stable discount profile
-  Easy, free, **mobile assessments**
-  Low effort for clients and advisers
-  Free Telehealth support





Key message

- Be clear about the strategic objective of your loyalty programme
 - Align business outcomes with client value proposition – but simplicity rules
 - We live in a fast-changing world – need to marry dynamic risk management with practical client outcomes
 - Client expectations are simply better managed when solutions are less complex, demand less effort, transition comforts are in place
-

Questions

