

Life's better with

*Vitality*

# Claims and benefits report.

June 2020.



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**At Vitality, we've always taken a special interest in the health and wellbeing of our members. If we can bring about positive lifestyle change amongst our members, they benefit through better health and real financial benefits; advisers benefit, from healthier, more engaged clients; and we benefit, through fewer claims and better retention. It's what we call **Shared Value**, and it's at the heart of everything we do.**

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**The cornerstone of Shared Value and of every Vitality plan, covering more than 1.3 million people in the UK, is our Vitality Programme.**

With insurance risk increasingly determined by an individual's lifestyle risk over their lifetime, the Vitality Programme enables us to reward positive health choices with lower premiums.

Our Vitality and Wellness Optimisers offer a significant up-front premium discount in anticipation of a lifetime of positive health choices, and then dynamically adjusts a member's premium each year based on their engagement with the programme. The more engaged they are, the more they can control their premiums.

When it comes to the quality of our protection insurance, our aim is to create products that truly meet the needs of our members. This report will show we paid £66 million in claims during 2019 and how specific features of our proposition have benefitted our members.

Of course, the value of this protection goes beyond the numbers you'll read in this report.

This is why we'll also take a look at Casper's story, and how his case highlights the importance of comprehensive protection, alongside high-quality financial advice.

We're also delighted to share with you the results of how our members have both improved their levels of activity and have become healthier as a result of being a Vitality member. Through their engagement, members benefitted from £103 million of value through the Vitality Programme in 2019, lower premiums and better health.

In 2020, COVID-19 has highlighted the importance of our health, wellbeing and protection needs. Through our focus on health promotion and best-in-class protection, our Shared Value Insurance approach is responding to these needs in ways that are more relevant than ever.

We hope you will enjoy reading this publication.

**Deepak Jobanputra,  
Managing Director, VitalityLife**



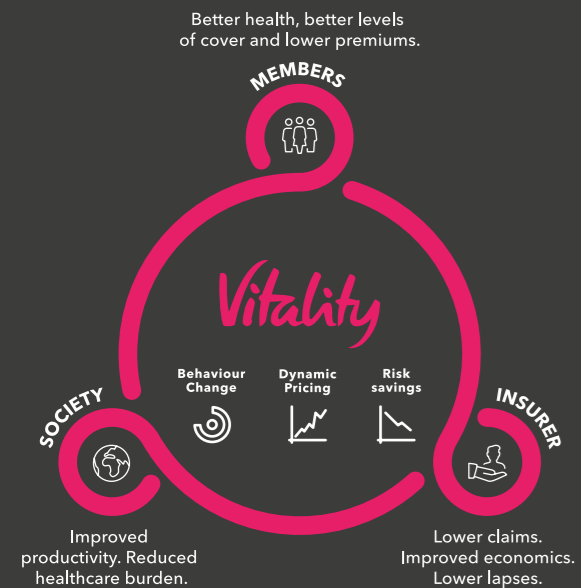
**“The cornerstone of Shared Value and of every Vitality plan, covering more than 1.3 million people in the UK, is our Vitality Programme.”**

# 2019 at a glance.



# 1

## Our core purpose and Vitality Shared Value Insurance.



At Vitality, we're inspired by our **core purpose**, which is to make people **healthier** and **enhance** and **protect their lives**.

This has led us to create the **Vitality Programme**, based on the simple intuition that if we can get people to bring about positive change to their health, there must be benefit for them and for us as an insurer.

Insurance risk is increasingly determined by lifestyle choices - we have additional years of healthy life immediately within our control - yet we tend to act against our own best interests when it comes to those choices. Life insurers are ideally positioned to bring about change, because better health translates into fewer claims.

If we can promote healthier lifestyles amongst our members, some of the savings that we realise can be passed back to members in the form of incentives for healthier choices - fuelling a virtuous cycle of health improvement and value creation. Economic value is unlocked, creating benefits for the member (more years of good health, lower premiums), the insurer (reduced claims over time) and society (healthier, more productive citizens).

It's a model known as Shared Value Insurance, and the power of the model is that there are no trade-offs - every stakeholder benefits.

# 2

## Optimisers and Vitality Shared Value Insurance.

The Vitality Programme enables us to reward positive health choices with lower premiums.

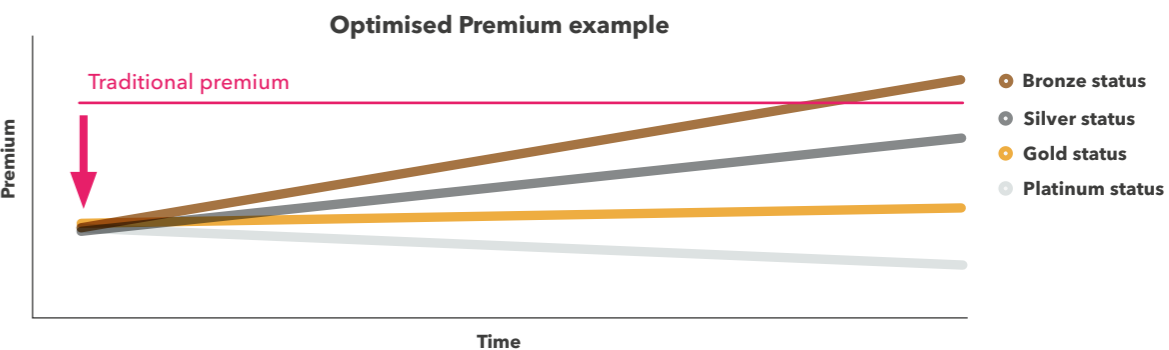
Traditional life insurance policies are based on the idea that risk is static, with underwriting taking place once, at policy inception.

This is contrary to the nature of non-communicable illnesses, responsible for the majority of premature deaths, which are determined largely by behavioural choices we make over our lifetime.

The Vitality Programme provides a mechanism to reward positive health choices with lower premiums.

The Optimiser provides clients with significant up-front discounts in anticipation of a lifetime of positive health choices, and then dynamically adjusts a member's premium each year based on their engagement in the Vitality Programme.

1. Upfront discount
2. Dynamic premiums
3. Integrated Vitality rewards



In 2019, members benefitted from **upfront discounts of up to 50%** because of our Optimiser. These premium savings allowed members to take out more comprehensive cover, reflected by **250% higher take-up of additional cover options** amongst members with an Optimised plan.

# 3 Claims experience in 2019.

Vitalitylife has paid claims in excess of **£300 million** since our launch in 2007.

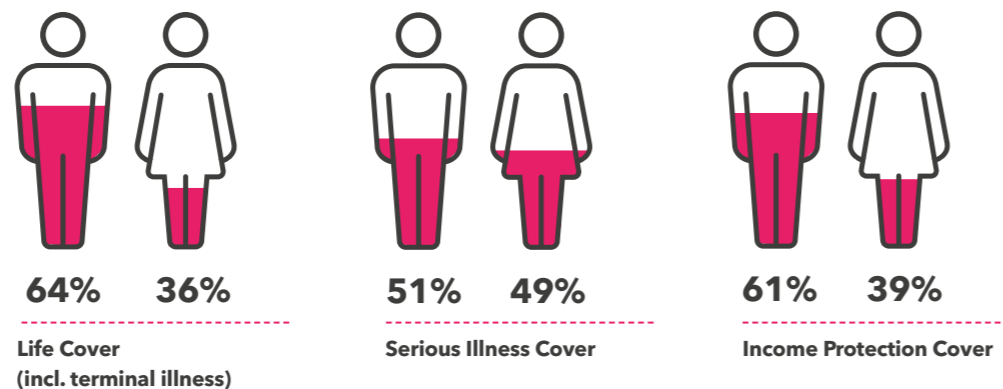
## Claims paid in 2019

We paid out **£66 million** in claims during 2019 with **96.0%** of these claims being paid across Life Cover, Serious Illness Cover and Income Protection Cover.

	Life Cover	Serious Illness Cover	Income Protection Cover
Amount paid	£39.2m	£26.7m	£448,000
Percentage paid	99.5%	92.9%	96.4%

## Claims by gender

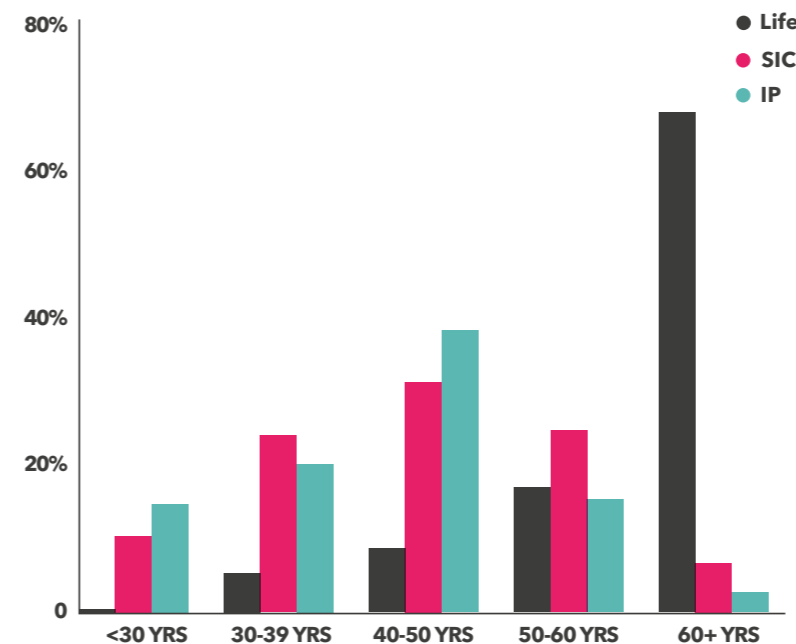
Our claims data shows that, whilst more Life Cover and Income Protection Cover claims were paid to men, an even split is paid on Serious Illness Cover claims.



## Claims by age

The graph below shows the split of claims, for each product, by age-group. It can be seen that a larger proportion of Serious Illness Cover (SIC) and Income Protection (IP) claims happen at younger ages, compared to Life Cover claims.

This highlights the importance of having comprehensive cover in place, especially at younger ages.



## Declined claims

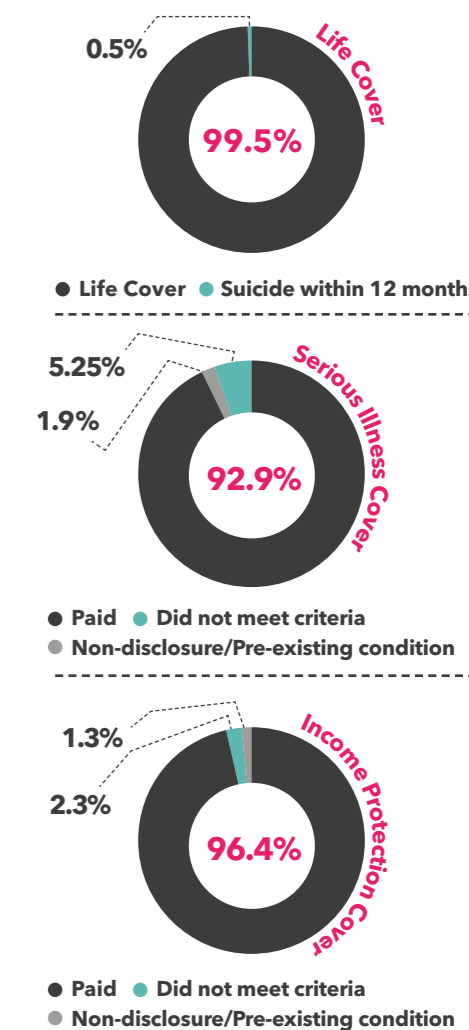
At Vitality our claims team is committed to paying as many claims as possible, however in certain cases we may need to decline a claim.

### Non-Disclosure

One of the main reasons we wouldn't be able to pay a claim would be for non-disclosure, where information has been withheld at application or answered dishonestly. In order to minimise the risk that a claim isn't paid, it's important to ensure that all information is correct on an application.

### Did not meet criteria

Serious Illness Cover is designed to pay out earlier and more often than a traditional insurance plan. Claims that did not meet the criteria may also not have met the criteria in the wider market. In cases where a condition is not yet severe enough to meet the plan definition, cover remains in place should these conditions become more severe in the future.



# 4 Serious Illness Cover.

## Designed to reflect the modern trends in illness

Critical illness was first introduced in the 1980s and reflected the severity of conditions at the time. Since then significant developments have been made in screening, diagnostics and treatment which have resulted in three key trends in modern illness:

### TREND 1:

*It's now more likely than ever that someone will survive a serious illness.*

### TREND 2:

*Increased survival rates mean that people are more susceptible to developing secondary illnesses.*

### TREND 3:

*Increased survival rates mean that people are more exposed to illnesses in later life.*

Vitality's Serious Illness Cover has been developed to reflect the modern nature of illnesses.

#### ✓ Severity-based payments

Rather than paying out an arbitrary amount, we pay out based on the impact each condition will have on lifestyle.

#### ✓ Full body coverage for relevant conditions

Paying out appropriate amounts for less severe conditions allows us to cover more conditions that will have a financial impact on lifestyle.

#### ✓ Multiple claims facility

If we've already paid out for a condition at a low severity and it progresses, then we increase the amount we pay out based on the benefit conditions.

#### ✓ Continuous cover

Our cover is designed to stay in place for as long as possible alongside cover options that can help keep protection in place after a claim.

#### ✓ Later Life Options

Later Life Options allow any remaining Serious Illness Cover to be converted into Later Life Cover at the end of the plan to protect against conditions prevalent in later life, such as Alzheimer's, dementia, and Parkinson's.

## Full body coverage

### Top 5 areas of claim for men



1. Cancer
2. Heart and Artery
3. Stroke and Nervous System
4. Respiratory diseases
5. Total Permanent disability

### Top 5 areas of claim for women



1. Cancer
2. Stroke and Nervous System
3. Heart and Artery
4. Family Benefit
5. Urogenital and Kidney

### Top 5 areas of claim for unique conditions



1. Respiratory Diseases
2. Gastrointestinal Diseases
3. Heart & Artery
4. Stroke & Nervous System
5. Eye

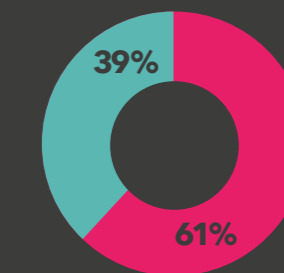
8% of claims paid in 2019 were for conditions only covered by Vitality.

## Continuous cover



1 in 10 claimants had claimed previously

Over £1.8 million was paid in secondary claims



● Progressive ● Unrelated

Of those claims 39% were for unrelated claims whilst 61% were progressions of previous claims.

## Later Life Options

68% of eligible plans added a Later Life Option in 2019



# 15

## Casper's Serious Illness Cover claim.



**We all know life's not predictable. That's why it's important to protect what's most important to you - your family.**

Eighteen months ago, Emma and Nick's world was turned upside down. Their five-month-old son Casper was diagnosed with cancer.

In the early weeks of his life, Casper would often fall sick. But when he was three months old, he developed a rash that wouldn't go away. What was at first mistaken for eczema turned out to be Langerhans Cell Histiocytosis, a rare form of cancer in his skin, bones and gut.

Casper had to be immediately transferred to the nearest high-dependency unit at the hospital, where he underwent rounds of chemo, steroids and blood transfusions.

Luckily, Emma and Nick had VitalityLife insurance with Serious Illness Cover for Children.

### Why Nick and Emma chose Vitality

When Emma had Casper, it prompted her to take a look at her life insurance plan. After choosing Vitality, her financial adviser suggested that she took out Serious Illness Cover for Children. Among its many benefits, like severity-based payments for when children fall ill, it also gave Emma extra cover towards any medical care bills or taking time off work to be with Casper.

However, it wasn't just the quality of her life cover that persuaded Emma to take out VitalityLife cover:

**"It was the benefits for being active which really appealed to me. It was a no-brainer really."**

### How did Vitality help?

Despite taking out cover just a few months before, Emma found our claims process easy, quick and stress-free, which was especially important in the midst of Casper's treatment. The payout she got enabled her to add six months to her maternity leave and put money aside for Casper's future treatment.

### A happy ending

Thanks to his treatment, Casper's now doing well. The time Emma was able to take off as a result of her cover proved invaluable to help them resume their lives as they were pre-diagnosis.

We are pleased to have been able to make a difference to Casper and his family, this is precisely what our industry is here to do - to protect individuals and their families.

To learn more about Casper's story, you can [watch our video](#) on our YouTube channel.





# A week in the life of a Vitality member.

Our Vitality Programme is designed around three simple steps: **Understand your health, Get healthier, Get rewarded.**

**£103 million** given in Vitality benefits and rewards in 2019.

This is a week in the life of a typical Vitality member, looking to maintain her Gold status in the next year.



Claire is a Gold VitalityLife member and has just had her plan anniversary.

**MON DAY**



Claire logs on to the Vitality Member Zone in order to complete her online Health Review.



Vitality age **37**

The online Health Review asks questions about Claire's health and takes her about five minutes to complete.

At the end, Claire is given a Vitality Age which she can compare to her own age so that she can get a better understanding of her health.

This also unlocks **Active Rewards** such as Amazon Prime, weekly coffee and cinema tickets which she can earn during the week.

**TUES DAY**



5pts

0/40

5/40

Over **300k** online Health Reviews taken last year

Understand your health

This earns her five points. As she's linked her Apple Health kit to her Vitality app this is tracked automatically through her phone.

Get healthier  
**54m** healthy activities tracked in 2019

Get rewarded  
**480k** discounted Healthy Food Shops in 2019

Claire visits Waitrose and gets a 25% cashback on Waitrose's Good Health™ range at the checkout.

**SATUR DAY**



30m

8pts

18/40

Claire also gets points for her daily steps taking her to the maximum eight points for a day. She has now earned her Active Rewards total for this week.

Claire goes for a run with her new discounted fitness tracker and discounted running shoes, and records a 30 minute workout.

**FRI DAY**



On Thursday, Claire gets her weekly coffee as a reward for completing last week's Active Reward target.

**THURS DAY**



10/40

Claire visits a Virgin Active where she receives 40% off her gym membership as a result of being a Vitality member.

She receives five points for the visit.

5pts

Later she completes a mindfulness activity on her phone using the Headspace app and gets a further two points.

These points contribute to her annual points total but not her weekly active rewards awarded for physical activity.

Get healthier  
**600k** mindfulness activities completed in 2019

Get rewarded  
**Over 5m** handcrafted drinks awarded in 2019

## Claire's monthly savings.

Get healthier	
Gym membership	£40
Discounted running shoes	£25
Fitness tracker	£35
Healthy food discount	£10
Get rewarded	
Cinema tickets	£15
Weekly handcrafted beverage	£10

Claire's total savings\* **£135**

\*Get Healthier savings assume a £100 per month gym membership at a partner gym, a £50 pair of running shoes from Runners Need, a Garmin vivosport retailing at £100, and a £40 healthy food shop. Get rewarded savings assume two cinema tickets per month at £7.50 and a four coffees per month at £2.50 per cup.



# 6 Proven to incentivise activity.

Overall, the average number of active days members recorded increased by 56%, an increase of over 30 days a year.

## A research study<sup>1</sup> published in Nature demonstrates significant increases in activity following the introduction of Active Rewards.

Members were identified as having either low, moderate or high engagement prior to the introduction of Active Rewards.

The study tracked how many active days members recorded each year. An active day refers to a day on which a point-earning activity was completed (for example recording a gym visit or reaching a step target).

The study identified that Active Rewards increased the number of active days for all members, regardless of their prior activity levels.

### What is an active day?

An active day is classified as any day on which a member records the following:

#### Step-tracking

7,000, 10,000 or 12,500 steps



#### Heart-rate or calorie work-out

30 minutes or more



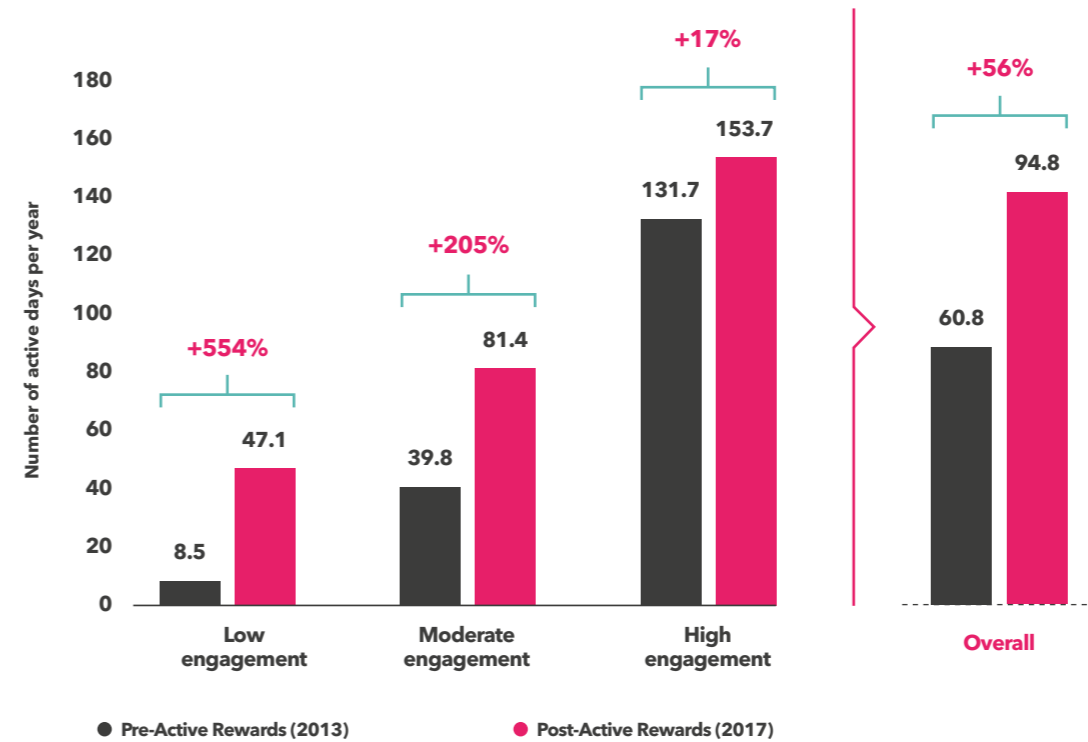
#### Gym tracked Vitality partner gym visit



#### Parkrun tracked parkrun event



Active days per year, before and after Active Rewards.



Source: 1. C.Hajat, A. Hasan, S. Subel & A. Noach. 2019 The impact of short-term incentives on physical activity in a UK behavioural incentives programme, npj Digital Medicine, 2:91

# 17 Proven to make our members healthier.

By encouraging members to **get active, stop smoking, reduce alcohol consumption, improve sleep behaviour, and eat well from day one, the Vitality Programme can lead to short-term improvements particularly in physical activity and mental health.**

## Method

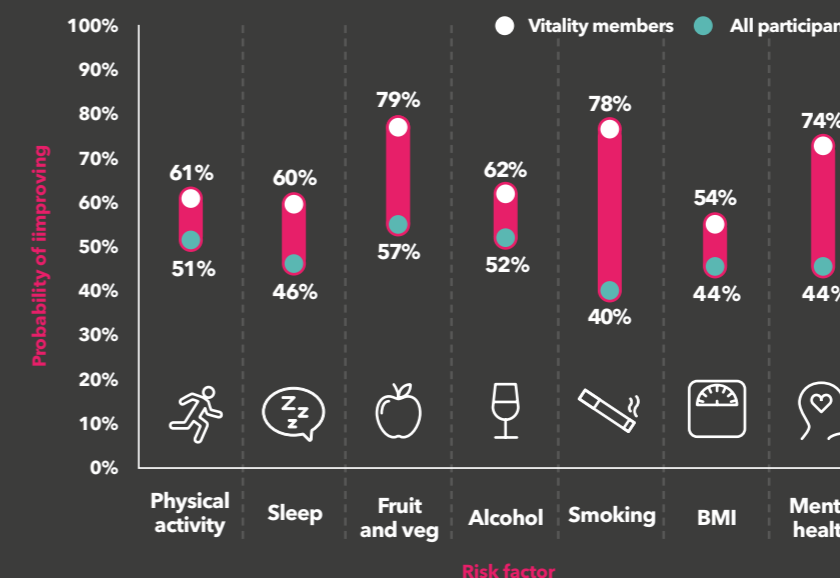
We analysed changes in six health and lifestyle areas directly impacted by the Vitality Programme: physical activity, smoking, alcohol consumption, nutrition, sleep, and mental health.

In our analysis we looked at all recent Vitality members who had completed their first and second online Health Review and Vitality Healthchecks at a Lloyd's pharmacy in successive years between 2016 and 2019. We measured the improvements of ten risk factors and the corresponding impact on health and life expectancy.

## Estimated behavioural change of Vitality members

These results, based on self-reported data, show Vitality members have a higher likelihood of improving aspects of their health than non-member respondents of Britain's Healthiest Workplace, an annual survey sent out to over 430 employers and 150,000 employees in the UK.

Fruit and vegetable intake, smoking and mental health score had the highest probability of improving following a year with Vitality compared with non-members.



Notes: Estimated marginal means from a set of regression models estimated on data from all 16,198 Vitality members who completed their first and second Healthcheck and all 109,875 Vitality members who completed their first and second Health Review in the 2016-2019 period.

## Estimated change in life expectancy after one year with Vitality

The improvements in self-reported activities for Vitality members were reflected in improvements in four key risk factors measured in a Vitality Healthcheck, Systolic blood pressure, Cholesterol, Random blood glucose and BMI.

Variables	Scale	Average improvement	
		Men	Women
Systolic blood pressure	mmHg	-8.02	-7.90
Cholesterol	mmol/L	-0.64	-0.65
Random blood glucose	mmol/L	-0.72	-0.73
BMI	Kg/m2	-0.91	-0.94

- 1.3 million members
- 15 years' experience
- 10 million years of life data

We found, taking into account improvements in key risk factors such as cholesterol, blood glucose and blood pressure, and a combination of the risk factors outlined above, that members had increased their life expectancy by over a year.





## **Find out more.**

**For more information please speak to your  
adviser or visit our website [vitality.co.uk/life](https://vitality.co.uk/life)**

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