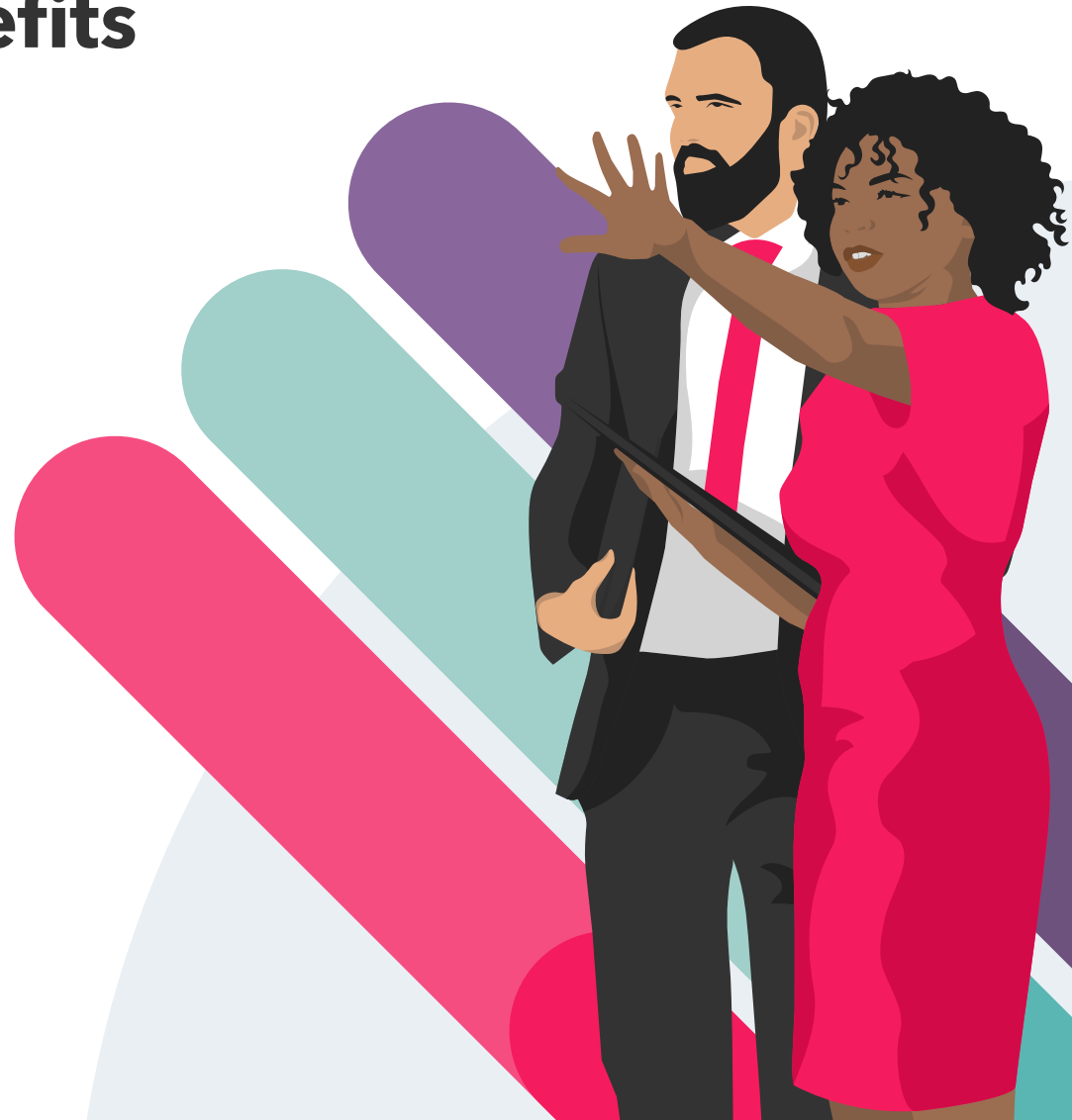


Sharing the benefits
of healthy living



Life Claims and Benefits Report 2023





“Protection must do more to avoid foreseeable harm”

Justin Taurog
Managing Director,
VitalityLife.

At Vitality, we’ve always moved with the times. This is reflected in the unique, market-leading suite of protection products and plan benefits we offer today. From the ability to claim multiple times on our severity-based Serious Illness Cover, the role Dementia and FrailCare Cover is playing to support later life funding, to all-new levels of flexibility provided by our Income Protection Plan, alongside the evidence-based success of the Vitality Programme.

Meanwhile, the wider trends shaping our world - from advances in medical science to major changes in the way we live and work - mean that protection products have had to adapt and change to fully meet client needs.

The new Consumer Duty regulations, a step-change in the FCA’s expectations around adviser conduct, also means that there is now a greater focus on protection insurance delivering ‘good consumer outcomes’ and ‘avoiding foreseeable harm’.

Immediate value

While traditional insurance has always been about offering clients peace of mind, at a time of tightening budgets and an ongoing cost-of-living crisis, clients are understandably looking for more immediate, tangible value.

There has never been a better time to fully embrace a less transactional form of insurance. One that treats clients holistically and addresses their protection needs over time, whilst also delivering everyday benefits, and most importantly - better health.

In 2022, our members received £60m paid back in rewards, with these members saving on average 28% of their premium through these rewards alone. Members with Optimiser discounts meanwhile saved a further £42m.

Through our unique Shared Value Insurance model we can ensure clients are protected, whilst delivering tangible benefits and supporting them to make positive health and lifestyle improvements. This drives far greater levels of engagement, in a way that helps clients live longer, healthier lives.

We see this as the next generation of life insurance.

Better outcomes for all

Our unique model also creates more opportunities for regular touchpoints with clients, which can bring significant benefits for advisers too when it comes to client reviews, business referrals and long-term customer loyalty.

This drives up retention rates for intermediaries, at a time when protection persistency is a priority. Our own data shows that highly engaged (Platinum) members are 39% less likely to lapse their plan. What’s more, the Vitality Programme is proven to lower mortality risk, up to 41% for our engaged members.

Moment of truth


We’re also there for your clients when they need it most, as demonstrated by our annual claims statistics which represented £96m worth of paid claims during 2022 - 99.7% of Life Cover claims, 92.5% of Serious Illness Cover claims and 97.7% of all Income Protection claims- as explored in this report.

At a time when the country is facing significant health and wellbeing challenges, against a difficult economic backdrop, it’s clear that the needs of customers are changing. To truly achieve the best possible client outcomes, actively helping people to lead a healthier, happier, longer life through market-leading cover that moves with the times has never been more important.

Our 2022 results at-a-glance

Vitality was founded with a powerful core purpose - to make people healthier and to enhance and protect their lives. We deliver this through our unique Shared Value insurance model. It offers benefits that are good for members, good for us and good for society.

Offering the next generation of life insurance, it is defined by three characteristics:



- 1 Better health**
An engaging proposition that generates significant member health benefits.
Resulting in:
41% Lower mortality rates for active members
In 2022, Vitality members:
 - Completed over **500,000** health assessments
 - Visited the gym **3.76m** times
 - Walked **797bn** steps
- 2 Better value**
Tangible value delivered to customers from day one.
 - £60m** provided to our members through rewards in 2022 alone
 - 69,000** pairs of sports shoes
 - 1.6m** handcrafted beverages
 - 744,000** cinema tickets
 - £42m** in savings through Optimiser
- 3 Better cover**
Designed to meet the needs of the modern consumer.
 - 1 in 12** Serious Illness Cover claimants in 2022 had claimed previously
 - 1 in 8** Claims we paid in 2022, would not be covered by a typical enhanced critical illness plan.
 - Over 70,000** Members have attached Dementia and FrailCare cover to their plan since we launched this world-first product in 2018

99.7% paid
£60m
Life Cover

92.5% paid
£35.5m
Serious Illness Cover

97.7% paid
£800,000
Income Protection

1 Better health

We know it takes a sustained combination of nudges and incentives to to change people’s behaviour for the better over the long-term. That’s why we give all our members access to the **Vitality Programme**, the world’s largest behaviour change programme linked to insurance. We’ve designed it specifically to drive engagement and encourage positive lifestyle choices, with the specific aim of improving the health of our members.

With the implementation of Consumer Duty, it’s the responsibility for product providers and advisers to prevent foreseeable harm. We’re going a step further to achieve this by improving the health of our members and lowering their risk of preventable deaths and illnesses.



Over 50% of new members engage within 30 days
Engagement levels 10 times higher than comparable wellbeing apps¹



Engagement increases with age
Over 60s are the most engaged age-group

In 2022, Vitality members:



Completed over **500,000** health assessments



Visited the gym **3.76m** times



Walked **797bn** steps



Performed **1.17m** mindfulness sessions



Bought **1.2m** healthy food baskets

Did you know...?

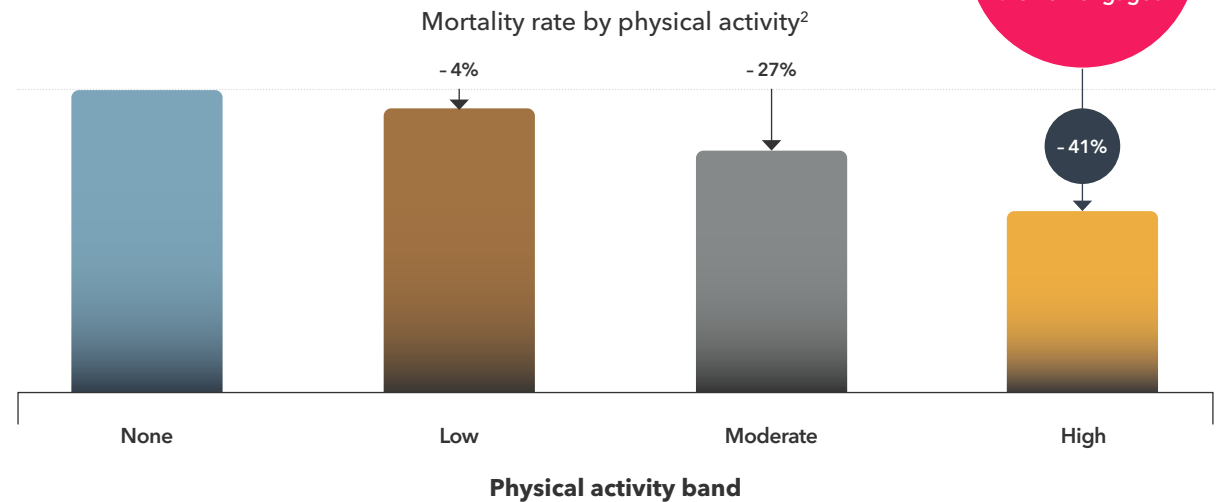
Vitality Plus members can get a Vitality Healthcheck in their first year with Vitality at no additional cost³.

This can be done virtually or in-person with Bluecrest clinicians.

My daily toolkit

Mark Collings, Vitality member
"I'm the primary earner for my family, as my wife is disabled and can't work. Vitality is part of my defence. I have Vitality Life and Health insurance. Runners Need has got me jogging. And the activity points keep me motivated to exercise and earn benefits. Vitality is an integral part of my life - my daily 'toolkit'."

A significant impact on health outcomes



Active members were over a **third** less likely to die than the non-engaged


¹Britain's Healthiest Workplace, Average engagement of Wellbeing apps of 4.9%, 2022. ²Vitality experience analysis, 2022. ³Limited to one adult member per plan.


2 Better value


By encouraging and driving positive behaviour choices, the Vitality Programme initiates and enables the shared value cycle. Along with the benefits of better health, we return significant value through discounts, rewards and lower premiums.


Through these Shared-value mechanisms, we returned **more than £100m to our members in 2022.**

Members get significant value back through the Vitality Programme

 **60,000** discounted activity trackers awarded

 **69,000** pairs of sports shoes

 **1.2m** Healthy Food purchases from Waitrose & Partners

 **1.6m** handcrafted beverages from Caffè Nero

 **744,000** cinema tickets

28% Members saved 28% of their premium through rewards on average



We are unique in rewarding members for healthy living through lower premiums

Optimiser allows members to benefit from lower premiums when they look after their health. This is particularly relevant given that Consumer Duty is putting greater emphasis on Fair Value. We believe that if a member is engaging in a healthy lifestyle it only fair they should be justly rewarded.



2.5x Optimiser member are 2.5 times more likely to reach Silver Vitality Status or above

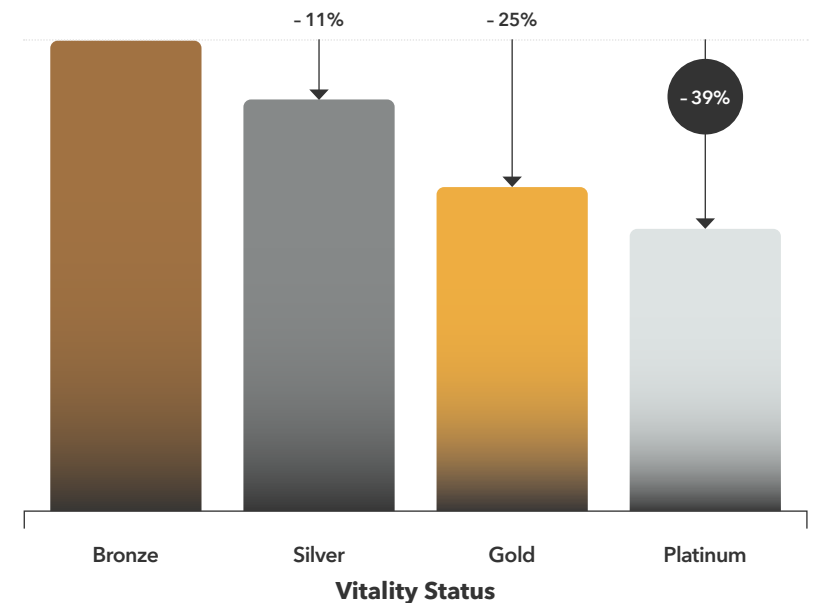
£42m
Saved through Optimiser discounts in 2022

£60m
Paid back through rewards in 2022

Engaged members are less likely to cancel their plan

Our data shows a strong correlation between those who do engage and their likeliness to keep the plan active. Because a customer canceling their plan is rarely a good outcome, Optimiser is another way to meet the fair value requirement of Consumer Duty.

Lapse rate by status for members with Optimiser¹



¹Vitality experience analysis, 2022.

3 Better cover

While our products are designed to provide value to all members from day one, what makes our cover truly market-leading is our unique cover better tailored for the needs of today's consumer. Our claim statistics show that we go above and beyond to deliver this to clients, across all our protection products.

Serious Illness Cover pays out for conditions that other insurers don't cover. Members can also claim multiple times over the course of a plan, and have the option to extend remaining cover into later life through our automatic **Dementia FrailCare Cover**.

Our **Income Protection** is also uniquely flexible, and can boost payouts by up to 20% for six months when a member engages with the Vitality Programme.

With high inflation still persisting, our unique **Indexation option** offers flexibility for members as well as an upfront premium discount on their entire plan.

99.7% paid
£60m
Life Cover

97.7% paid
£800,000
Income Protection

92.5% paid
£35.5m
Serious Illness Cover

1 in 12

Serious Illness Cover claimants in 2022 had claimed previously

1 in 8

Claims we paid in 2022, would not be covered by a typical enhanced critical illness plan

70k+

Members protected with later life cover since we launched Dementia and FrailCare cover in 2018

96%

of members with Indexation increased their cover even when inflation was over 10%¹

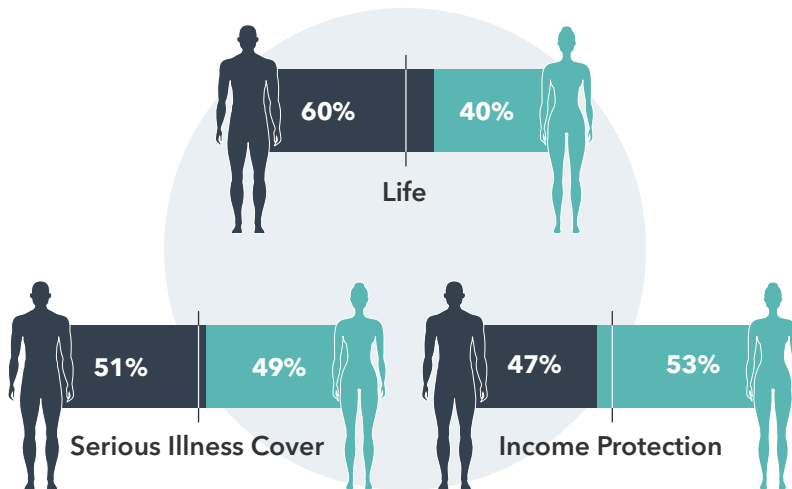
¹Vitality Indexation analysis based on effective Retail Price Index increases from January to June 2023.

Claims experience in 2022

High levels of inflation and rising interest rates continue to put pressure on household finances. Whilst some may reconsider their need for insurance, due to rising costs, the public's lack of financial resilience means that having a financial safety net in place is essential. And with a quarter of adults holding less than £100 in savings¹, having a financial safety net to protect against an unexpected event is more important than ever.

The numbers behind our claims experience in 2022 help illustrate where financial protection is needed, as well as the role advisers can play in helping ensure clients have the right protection in place.

Claims by gender



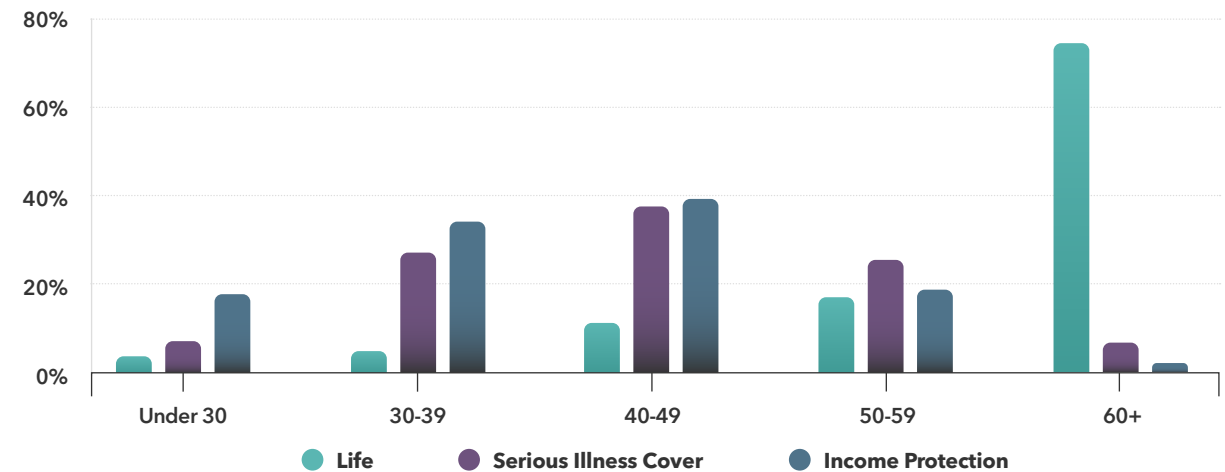
Our claims data shows that, while we paid more Life Cover claims to men, the gender split on Serious Illness Cover and Income Protection claims is more even. This highlights the need for comprehensive cover for both men and women.

¹BBC, Cost of living: Millions have no savings as prices soar, 2022.



Claims by age

Claimants by age group



The majority of Life Cover claims were for people aged over 60. However the majority of both Income Protection and Serious Illness Cover claimants were under the age of 50, highlighting the need for cover at younger ages.

Declined claims in 2022

Life



Serious Illness



Income Protection



Declined claims in 2022

While we're committed to paying as many claims as possible, for a small number of cases we may need to decline a claim. This is due to:

Non-Disclosure

Where claimants withheld information or answered dishonestly when they applied for cover we may have to decline a claim. To minimise the risk of a claim not being paid, it's important to make sure clients answer all questions fully and correctly at application stage.

Did not meet criteria

We've designed Serious Illness Cover to pay out earlier and more often than a traditional insurance plan. Despite this, there are still cases where claims don't meet the criteria. However, cover still remains in place, should conditions become more severe in future.

For Income Protection, a plan not meeting the criteria could have been because the claimant suffered no financial impact while off work. It could also have been due to the injury not affecting them enough to stop them working.



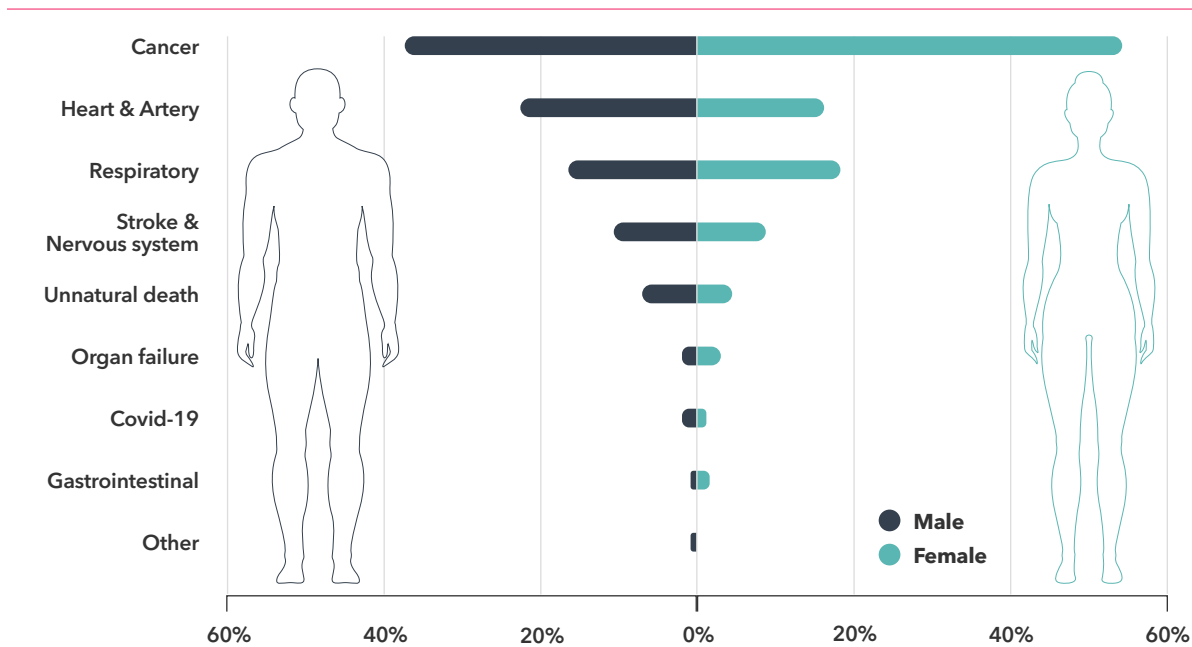
1 Life Cover

Our Life Cover doesn't just start and finish with the claim. Through the Vitality Programme and Optimiser we help to improve a client's life, by extending life expectancy and improving the amount of time spent in good health. Our unique proposition also offers your clients the option to protect themselves against the cost of care in later life.

Whole of Life with LifestyleCare Cover

LifestyleCare Cover is a unique benefit offered by Vitality that allows members to add an additional cover to their Whole of Life plan that pays out in the event of a diagnosis of a later life condition, to help cover costs of care.

Breakdown of Life Cover claims in 2022



Cancer was the leading cause of death in claimants in 2022 followed by heart and artery related causes and respiratory illnesses. The impact of Covid-19 has come down from the 4th leading cause of claim in 2021 to the 7th in 2022. However, the largest claim we paid was as a result of Covid-19.



Meera, 68

LifestyleCare Cover claim

With a history of Parkinson's disease in the family, Meera was referred to a neurologist when she first noticed her hands shaking in 2018.

In 2019 the shaking worsened, affecting the right side of her body. She was then diagnosed with Parkinson's.

Whilst she hasn't had any bad falls, tremors started to cause mobility issues.

Because Meera had taken out LifestyleCare Cover alongside her Whole of Life plan, we paid out a Level 1 payment of £50,000. Meera can now use the proceeds to make improvements to her home or to arrange for care.

Real claim with name changed for anonymity purposes



LifestyleCare cover is completely unique in the market. No other insurer would have paid this claim on a Whole of Life plan.

£60m paid in Life Cover claims in 2022



Oldest claim
93 years old
Heart failure



Youngest claim
20 years old
Suicide



Largest claim
£1.6m
Covid-19



99.7%
Life Cover
claims paid

2 Serious Illness Cover

Thanks to advances in modern medicine, people are living longer and surviving conditions that used to be more life-threatening.

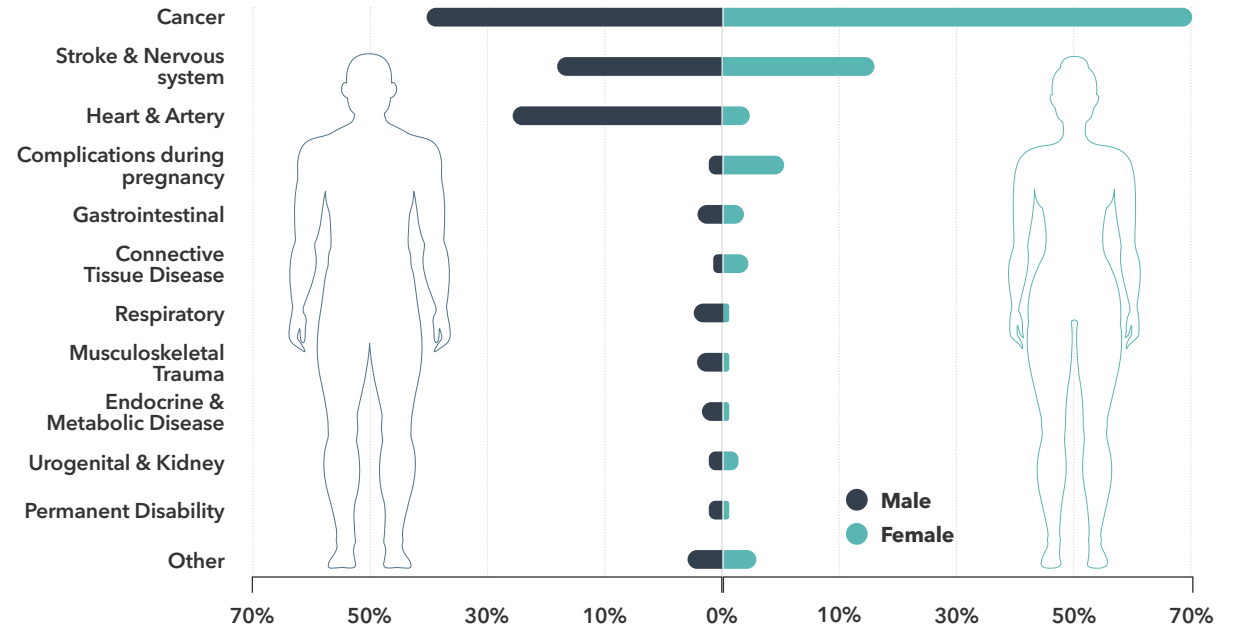
However, this means that people are more susceptible to developing secondary illnesses that will still have a financial impact. They are also more likely to survive into older age, where they are more likely to suffer from a later life illness, such as dementia.

Whilst critical illness cover has largely remained the same, Serious Illness Cover has responded to the modern trends in illnesses to meet the needs of today's clients.



When critical illness products were first introduced, only 1 in 4 cancer patients survived and the average life expectancy was only one year. Today, that number has doubled and the life expectancy following a cancer diagnosis has increased 10 times^{1,2}

Breakdown of Serious Illness Cover claims in 2022



Our claims show the importance of broader coverage across all body areas.

For both men and women, cancer was the top claims cause in 2022. However, it had a much bigger impact on women, accounting for almost 70% of claims. While the top three claims areas accounted for the majority of claims, almost a third (32%) were for conditions other than cancer, heart attacks and strokes.

£35.5m
paid in Serious Illness Cover claims in 2022



Oldest claim
68 years old
Bowel cancer



Youngest claim
6 months old
Heart surgery



Largest claim
£786,000
Hodgkin's disease



92.5%
Serious Illness Cover claims paid

¹Cancer Research UK, Our Progress, accessed 2023. ²MacMillan, The Changing Story of Cancer, 2015.

Serious Illness Cover

Unique comprehensive cover

Serious Illness Cover responds to modern illness trends with severity-based payments based on the impact an illness is likely to have on someone's lifestyle.

By paying claims where other plans wouldn't, Serious Illness Cover goes further to prevent foreseeable harm by mitigating the financial impacts of an illness. 1 in 8 claims paid in 2022 across all products wouldn't have been paid by a typical enhanced critical illness plan whilst 1 in 6 wouldn't have been covered by a typical core plan.

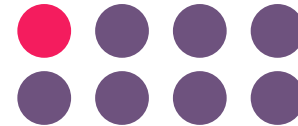
A wider range of conditions covered



1 in 8
claims not covered by a typical enhanced critical illness plan



1 in 6
claims not covered by a typical core critical illness plan

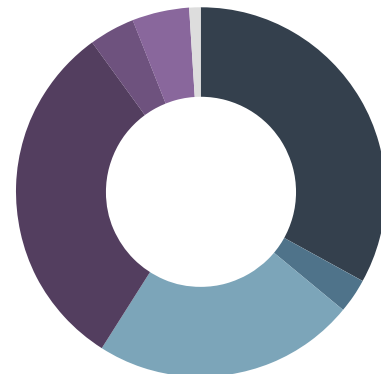


1 in 8
conditions covered by Serious Illness Cover 1X (Severity A to D) not covered by a typical core critical illness plan

Breakdown of claims by severity level in 2022

Lower severity payments from Severity D or lower accounted for 40% of claims in 2022.

This highlights the need for cover at earlier stages of a disease and for less severe conditions than those traditionally covered by a critical illness plan.




- **A - 100%** (33.2%)
- **B - 75%** (3.0%)
- **C - 50%** (22.9%)
- **D - 25%** (31.9%)
- **E - 15%** (4.1%)
- **F - 10%** (4.5%)
- **G - 5%** (0.3%)


Most commonly claimed conditions unique to Serious Illness Cover in 2022:

- 1 Pulmonary embolism**
- 2 Cardioversion for cardiac arrhythmia**
- 3 Rheumatoid arthritis**



Victality is the only provider to pay out for pulmonary embolisms, cardioversion for cardiac arrhythmia and rheumatoid arthritis in the market.¹

1  **50,000** people are hospitalised each year after a pulmonary embolism in the UK²

2  **1 in 45** people suffer from cardiac arrhythmia³

3  Rheumatoid arthritis affects **450,000** people in the UK⁴

¹Defaqto-verified Vitality Conditions Covered tool, 2023. ²Pulmonary embolism. BMJ Best Practice, 2018. ³BHF, May 2023. ⁴National Rheumatoid Arthritis Society, accessed 2023.

Serious Illness Cover

Multiple claims and continuous cover

After suffering one illness, it's not only foreseeable but often more likely that a client will go on to suffer another one. Having cover in place following a claim is therefore a critical and highly valuable feature. In 2022, 1 in 12 claims were from members who had already claimed on their plan.

Cover that stays in place following a claim



Over **70,000** members have attached **Dementia and FrailCare cover to their plan since we launched the world-first product in 2018**

Primary and secondary claims by body system



This graph shows the body systems affected by primary and secondary claims. Despite cancer forming a large proportion of initial claims, unrelated secondary claims occur across a wider range of body systems. This shows the importance of providing whole-of-body coverage alongside cover that stays in place after a claim.

Members who have Dementia and FrailCare Cover are able to convert their cover at the end of their plan. This means they can continue paying premiums and keep cover in place for later life illnesses, such as dementia.

Dementia affects 1 in 6 people aged 80+

Foreword

Our 2022 results
at a glance

1. Better Health

2. Better Value

3. Better Cover

Claims experience
in 2022

1. Life Cover

2. Serious
Illness Cover

3. Income
Protection Cover



Elena, 30

Life and Serious Illness Cover

Elena was due to give birth to her first child, but sadly complications arose during the pregnancy, leading to a stillbirth.

This was extremely life-threatening but, after a short time on life support, she made a recovery.

During this time she needed to receive dialysis due to an infection she contracted during pregnancy.

Because she had Serious Illness Cover in place, we paid out a Severity D claim.

Real claim with name changed for anonymity purposes

**Unique Serious Illness
Cover claim**



**No other insurer covers
dialysis on their plan
prior to end stage
kidney failure.**



Serious illness can unfortunately happen to anyone, so it's crucial for me that clients are adequately protected should the worst happen. It would be great if we had a crystal ball and knew what was around the corner, we don't though so for me it's good to know my clients are covered for a wider range of illnesses. People ultimately want the peace of mind that they can claim if they fall ill, even with something less severe; there's still a financial impact.

Richard Barber, Elena's Independent Financial Adviser



Carol, 60

Life and Serious Illness Cover

Five years after taking out her Serious Cover plan, Carol was diagnosed with stage-II breast cancer, after finding a lump.

Serious Illness Cover paid out for the cancer and, uniquely, remained in place to cover future any claims.

Sadly, five years after her initial claim, Carol was diagnosed with another completely unrelated cancer. This time, it was a rare form of cancer that had reached stage-IV.

Luckily she still had cover in place to help her whilst she underwent surgery and chemotherapy. Serious Illness Cover paid out for cancer a second time, paying out in full.

Real claim with name changed for anonymity purposes

**Multiple Serious Illness
Cover claims**



**Serious Illness Cover
is the only plan in the
market that can pay
in full multiple times,
including for conditions
like cancer.**



From a longer-term perspective, [severity-based cover] is a more sustainable approach. It takes away that 'lottery element' of critical illness and means that a client is paid out in line with how ill they are and the potential impact that's going to have on their life, which seems a lot fairer.

People don't just get ill and then get better and never get ill again, as with a lot of conditions that are covered under critical illness and Serious Illness Cover plans, it's quite common that someone might get something more severe.

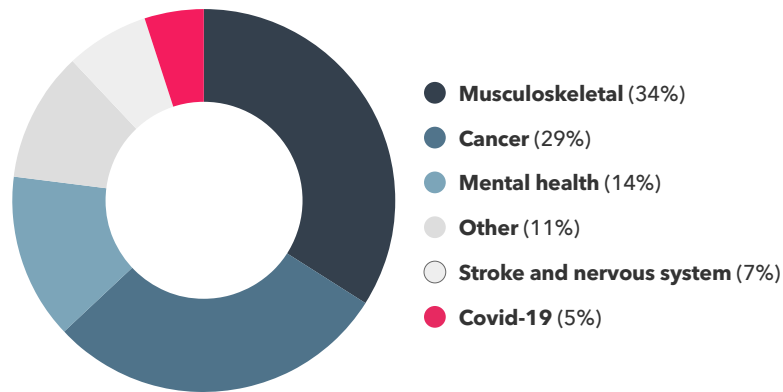
Adam Higgs, ProtectionGuru

3 Income Protection Cover

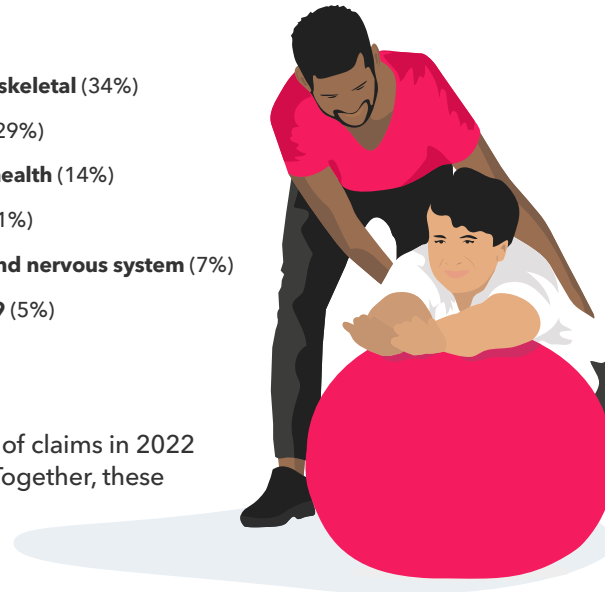
Our Income Protection plans incorporate unique flexibility and a focus on rehabilitation, with access to private-healthcare benefits for qualifying claimants.

Our focus on prevention - through engagement with the Vitality Programme - also results in a product that can have a positive impact on the health of our members, even before they make a claim.

Breakdown of Income Protection claims in 2022



Musculoskeletal claims were the leading cause of claims in 2022 followed closely by cancer and mental health. Together, these accounted for over 75% of all claims.



Julian, 52

Income Protection Cover claim

Income Protection Cover

Julian is a self-employed electrician. While skiing, he injured himself by stretching a ligament in his shoulder and also suffered whiplash.

Although the injury was mild, Julian was out of work for a couple of months, which meant a loss of income.

Luckily, Julian was covered by Vitality's Income Protection plan which paid out £4,000.

Real claim with name changed for anonymity purposes



Vitality's unique Earnings Guarantee means, when you financially verify your income upfront, you don't need to prove your income at claim stage.



The earnings guarantee is an absolutely fantastic feature. By giving the client the opportunity to verify their earnings upfront, it obviously means at the point of claim the process can go a lot smoother, because they've not got to dig out financial information. For the self-employed in particular as well, there's so many things that can happen, like a downturn in revenue and the guarantee removes that uncertainty.

Dean Nerney, Julian's Independent Financial Adviser

£800,000 paid in Income Protection Cover claims in 2022



Oldest claim
62 years old
Brain tumour



Youngest claim
21 years old
Spinal injury



Longest current claim
6.5 years - Kidney failure



97.7% Income Protection Cover claims paid

Foreword

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3. Better Cover

**Claims experience
in 2022**

1. Life Cover

**2. Serious
Illness Cover**

**3. Income
Protection Cover**



Find out more.

For more information please speak to your
Vitality Business Consultant or visit our adviser
website.