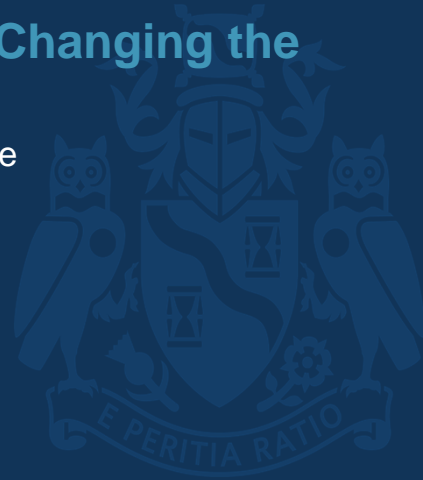




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Making History and Changing the Future

Deepak Jobanputra, VitalityLife
David Hare, Deloitte
Richard Baddon, Deloitte



24 November 2015

Agenda

- Introductions
- The journey towards authorisation
- Authorisation process
 - Overview
 - Regulatory business plan
 - Financial resources
- The future for Vitality
- Questions?

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2



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Introductions

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Expertise
Mentorship
Thought leadership
Progress
Community
Sessional Meetings
Education
Working parties
Volunteering
Research
Shaping the future
Networking
Professional support
Enterprise and risk
Learned society
Opportunity
International profile
Journals
Support



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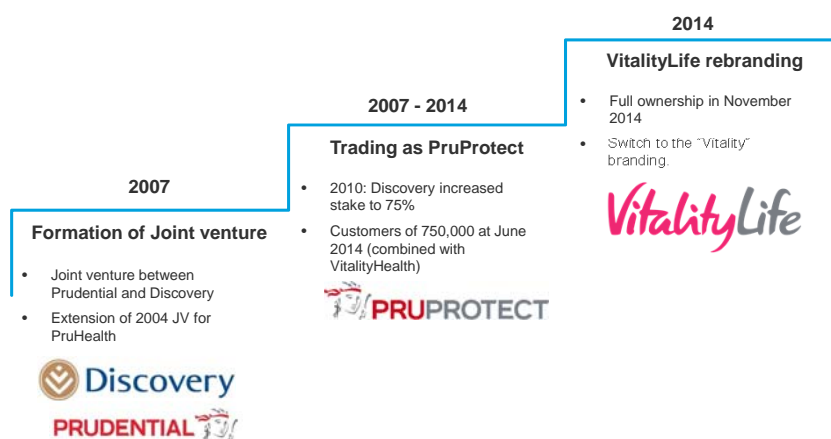
The journey towards authorisation

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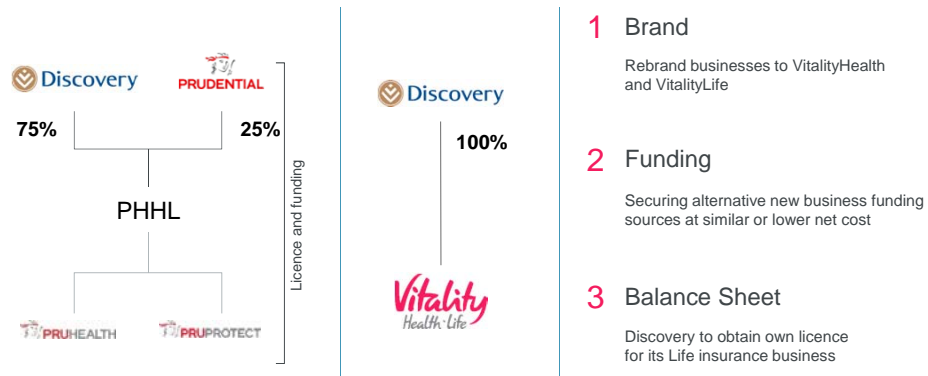
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Timeline to date



Transition to full ownership presented three key challenges



Healthy behaviours worldwide

VitalityLife is a subsidiary of Discovery Limited, a South African domiciled global financial services business

In 1997, Discovery introduced Vitality, the world's first incentive-based wellness programme linked to insurance.



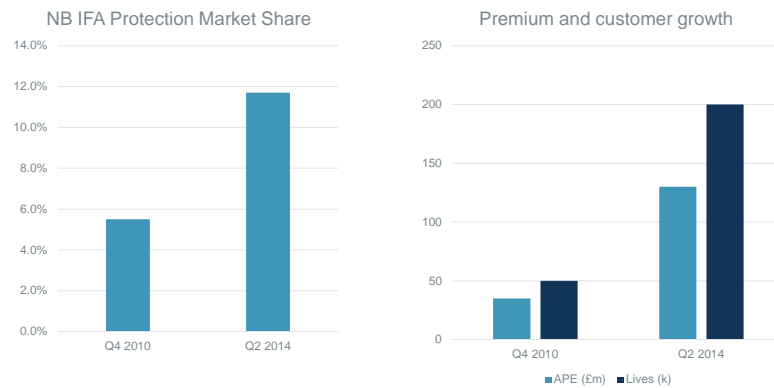
£4.5bn annual revenue

10,000 employees

4.4m members

Protecting and enhancing lives

VitalityLife - Paving the way: building market share

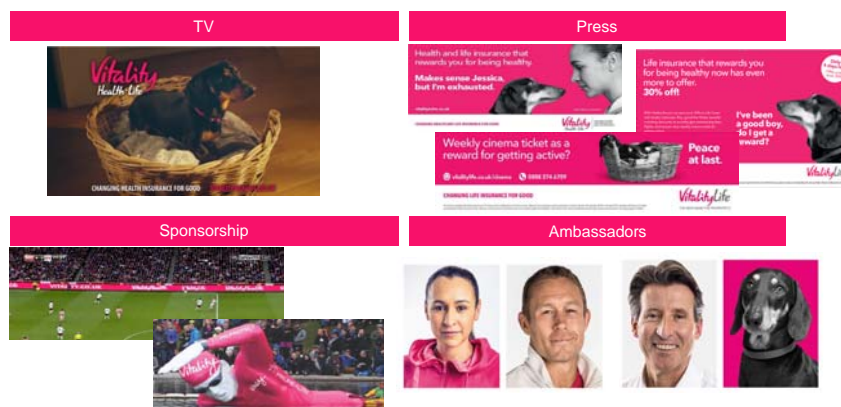


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9

Paving the way: brand recognition

- Initially branded as PruProtect, utilising the existing Prudential brand
- In November 2014, rebranded to VitalityLife



10

Three easy steps to a healthier society

1. Know your health
2. Engage in healthy activity
3. Rewarded for healthy behaviours

Vitality

- Engages customer
- Incentivises positive behaviours
- Value for customers – stronger persistency
- Differentiator in a commoditised market
- Exclusive rewards



Cashback



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11

Global recognition

51 companies that have made a sizable impact on major global problems as part of their competitive strategy

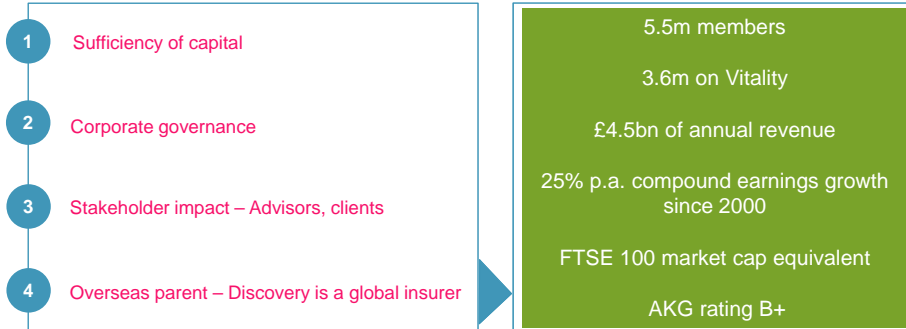


1 | Discovery ranks 17th amongst corporate giants

2 | Recognised for its shared value model

3 | Only insurance company to make the list

LIFE LICENCE



Funding through a combination of Discovery Group Rights issue of R5bn and reinsurance financing. A key area of focus from a regulatory and solvency perspective.



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Authorisation Process

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Why is this unusual?

Most market entrants purchase an existing life company.

- Vitality Life is a brand-new life company.
- Builds on the foundation of the existing joint venture, but the business written under the JV remains on the Prudential balance sheet.
- Allows the company to make the most of the experience and expertise available in Discovery.
- No existing baggage, from heritage brands/systems.

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15

Authorisation process: overview

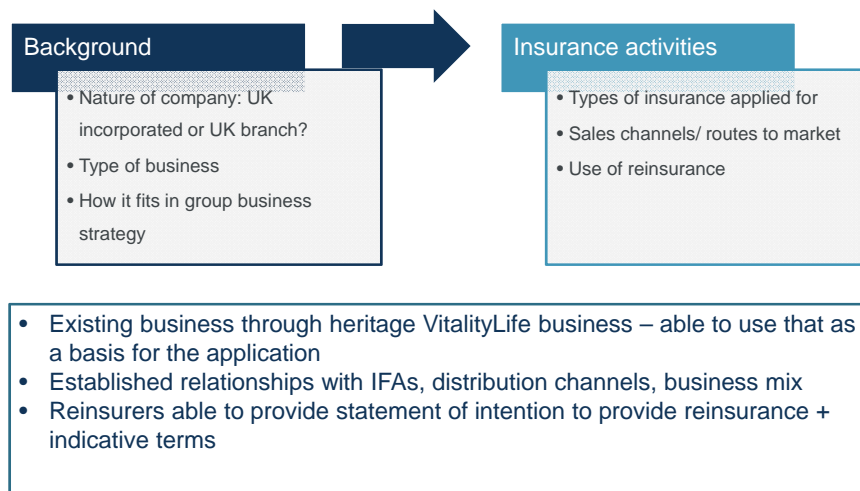
Authorisation required for activities set out in the Financial Services and Markets Act 2000 Regulated Activities Order.

- PRA and FCA engagement
- Application covers:
 - Regulatory business plan
 - Scope of permission required
 - Financial resources
 - Personnel
 - Compliance arrangements
 - Fees and levies
- Application timescales dependent on scope and quality of materials
- If target <6 months, then require *all* materials required for approval to be submitted to PRA/FCA upfront

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16

Authorisation process: regulatory business plan (1)



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17

Authorisation process: regulatory business plan (2)

Corporate governance and non-financial resources

- Members of Board
- Information about underwriters
- Use of outsourcers or subcontractors

Risk management and Internal systems and controls

- Responsibilities and reporting lines
- Control structures
- Risk management, identification, monitoring and quantification
- Management Information to be provided

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18

Authorisation process: regulatory business plan (3)

Details of any complex IT systems

- How complex?
- Reliance on complex systems

Preparation for Solvency II

- Plans for meeting SII requirements
- Internal Model or Standard Formula

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19

Authorisation process: financial resources

Capital sufficiency

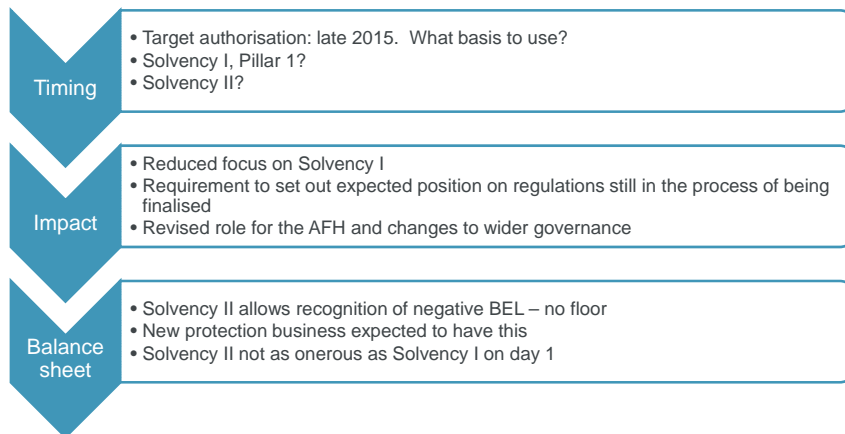
- Is there enough capital available to the business?
 - Sources of capital
 - Quality of capital
 - Projections
 - Supportability of plan
 - Sensitivities
 - Similarities to ORSA/FLAOR

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20

Authorisation process: financial resources

Solvency II



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21

Authorisation process: financial resources

Actuarial Function Holder Certificate

The AFH is required to produce a certificate stating that they believe:

- 1) *The premium rates that will be used by the applicant firm to be suitable for the proposed Regulatory Business Plan.*
- 2) *The financing of the applicant firm to be sufficient to cover the required technical reserves for its total business on optimistic, realistic and pessimistic bases in the first three financial years following authorisation, and to provide the capital resources requirement; and*
- 3) *he/she agrees with the information provided in the application form regarding:*
 - a) *The nature of the commitments the application firm proposes to cover;*
 - b) *The guiding principles as to reinsurance, including the applicant firm's maximum retention per risk or event after all reinsurance ceded and the names of the principle reinsurers; and*
 - c) *The financial projections for the first three years following authorisation.*

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22

Authorisation process: financial resources

The challenges for an “outside-in” AFH

How to get comfortable with business plan and projections?

- Hard work!
- Clear focus on materiality - what *really* matters?
- Understanding the dynamics of the business.
- What are the scenarios that would cause an issue? What are the risks and are they appropriately reflected.
- How are the assumptions being set?

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23



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The future for Vitality

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Next steps?

- Continued growth of market share
- Eventual Part VII of existing business into newly authorised company

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25



Questions

Comments

Thank you for listening

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26

Contact details

Deepak Jobanputra

Vitality Life

Deepak.Jobanputra@vitality.co.uk

www.vitality.co.uk

David Hare

Deloitte

dhare@deloitte.co.uk

www.deloitte.com

Richard Baddon

Deloitte

rbaddon@deloitte.co.uk

www.deloitte.com