

CELENT

CELENT MODEL INSURER 2018

PART V: CASE STUDIES IN OPERATIONAL EXCELLENCE -
VITALITYLIFE

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This is an authorized excerpt from a Celent report featuring case studies of operational excellence in insurance. Although the reprint was prepared for Munich Re, and only includes the VitalityLife case study, the analysis has not been changed. For more information on the full report, contact info@celent.com.

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INTRODUCTION

MODEL INSURER OVERVIEW

The vision for Celent's Model Insurer research is to try to answer an apparently simple question: "What would it look like for an insurer to do everything right with today's technology?" Of course, the question is not nearly as simple as it appears. The terms "everything" and "right" mean very different things to different insurers depending on their size, the complexity of their operations and product sets, and their technological starting points.

MODEL INSURER THEMES

Celent uses five categories for its Model Insurer program:

- **Legacy and Ecosystem Transformation:** Legacy technology can hinder innovation, since insurers must typically offer backward compatibility. Insurers must not only modernize, but also transform their internal systems and how they interact with customers, counterparties, and regulators. This theme recognizes projects related to core system replacement or transformation including policy administration, document management, customer relationship management, new business, illustrations, billing, claims, and rating/underwriting.
- **Data, Analytics, and Artificial Intelligence:** Data has become a source of competitive advantage for identifying profitable niches, managing risk, and improving service. New external data sources, data derived from devices, and new techniques for interpreting data are pushing the competitive boundaries for insurers at an accelerated rate. This theme recognizes projects such as predictive analytics (claims fraud, underwriting, pricing, climate analysis); prescriptive analytics (triage, sales automation, "next best action"); and virtualization (dashboards and heat maps, catastrophe management, network analysis, geopolitical risk analysis), and artificial intelligence.
- **Digital and Omnichannel Technologies:** Digital transformation is moving from person-to-person interaction toward person-to-machine or machine-to-machine. Integrating and coordinating among disparate and siloed delivery channels will be critical to satisfying ever-increasing customer expectations. Using the definition that digital automates complex tasks, allowing them to be mastered, then reproduced and distributed at no cost, this theme recognizes projects such as online tools; industrialization of processes; engaging user interfaces; online sales with STP; integration with business partners; leveraging social networks; and the use of mobile technology.
- **Innovation and Emerging Technologies:** Celent defines innovation as fundamental changes to products, services, or business models that break existing tradeoffs and provide value to the customer. New hardware, software, and network technologies feed insurance innovation. This theme recognizes projects such as the expansion into previously untapped markets due to technology; the use of technologies not previously used in the insurance industry; or the development of an innovation culture within an IT organization.
- **Operational Excellence:** What does it take to safeguard investments in technology and improve upon IT processes? This theme recognizes projects such as successful reuse of technology for new initiatives; implementation of a noncore system such as illustrations, document automation, electronic applications, best practices in IT governance, IT operational management, or IT risk management and security policies. Achieving operational excellence requires transforming processes and systems into competitive advantages by making them leaner, faster, more flexible, and of higher quality.

This year's themes examine how insurance companies are achieving successes in implementing, integrating, and instilling the technology theme into how they do business, offering a new set of tools and opening the door to new rules for operations, performance, and competition.

Nomination and Selection Process

For this series of reports, Celent identified 23 Model Insurer winners through the following process:

- Invitations were sent to Celent clients and nonclients. In addition, to assure the broadest public outreach, the model insurer initiative was promoted through various marketing initiatives and industry publications.
- Nomination forms were reviewed by Celent insurance analysts, and submissions that demonstrated innovative or effective uses of technology were selected as potential Model Insurers based on weighted assessments of several factors.
- Celent emailed several of the insurers to provide additional data and information to complete the final selection process and narrow the list of Model Insurer winners.
- Celent analysts drafted a case study for each Model Insurer which was reviewed by the insurer for accuracy and confidentiality.

Consistent with its past program, Celent selected an overall Model Insurer of the Year for its outstanding application of multiple best practices. We are pleased to report that MiCRO has been chosen to receive this recognition in 2018.

Client Disclosure

There were no fees charged to insurers or vendors mentioned in this report. Some of the nominating vendors, and many of the selected insurers, are or have been clients to Celent's retained advisory service. (Celent serves dozens of insurers across the globe in this capacity.) However, Celent was not directly involved in the creation or deployment of any of the initiatives that have been recognized, and no preference was given to clients in the selection process.

OPERATIONAL EXCELLENCE WINNING CASE STUDY



VITALITYLIFE: VITALITY NURSE

Vitality is the first insurance company in Europe to reward people for healthy living. It is owned by Discovery Holdings, a leading global insurer with over 7 million clients (as of May 2017). Discovery joined the UK market in 2007, in a joint venture with the Prudential, creating two companies called PruHealth and PruProtect. In 2014, it bought 100% of the shares from the Prudential and rebranded the companies as VitalityHealth and VitalityLife.

VitalityLife offers comprehensive and award-winning life coverage in a range of different options to provide the right amount and type of protection for an individual's needs. Its coverage comes in two forms: term life insurance or whole life insurance; and serious illness coverage that protects nearly four times as many conditions as other UK providers.

VitalityLife offers a unique approach to insurance, based on the scientifically proven principles of behavioral economics. It helps its members take a more active role in managing their own wellness, encouraging healthy long-term habits that are good for the individual, good for the company, and good for society. Along with improving and maintaining good long-term health, members can keep their premiums low by improving their Vitality status and receive rewards for healthy behavior.

Table 1: Vitality Snapshot

ITEM	FACTS
HQ LOCATION AND KEY GEOGRAPHIES	HQ: London, UK Sandton, South Africa
YEAR FOUNDED	2014
LINE OF BUSINESS	Life and Health
KEY METRICS	Premium: £621.7million Branches: London, Bournemouth, and Stockport, UK Employees: 2,100 Assets: £1,092.3 million
DISTRIBUTION CHANNELS	Intermediaries, Exclusive Associate, Direct to Consumers, Aggregators, Direct Sales Force.

Source: Vitality

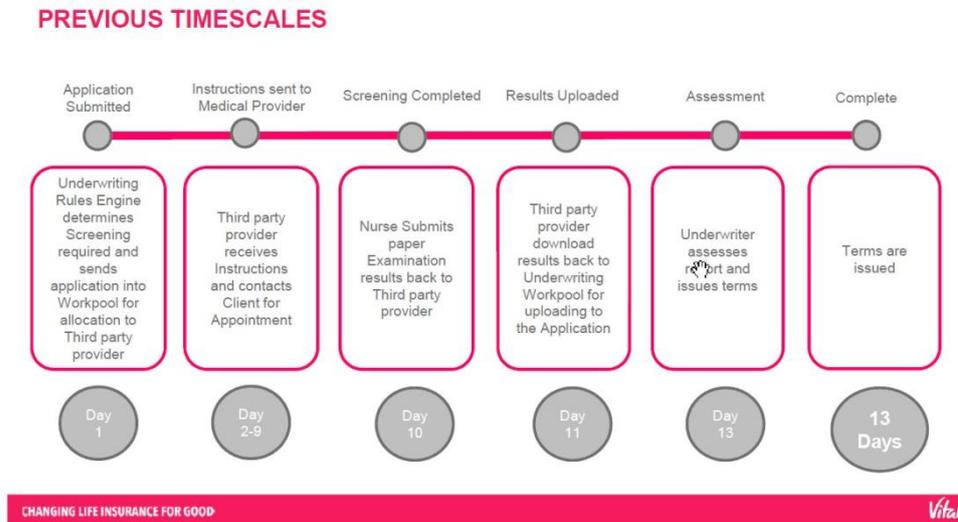
Opportunity

Historically in the UK market, the applicant's underwriting experience is completed through questions and answers alone. The insurer may be able to offer coverage within minutes based on the responses. This creates a very positive customer experience. However, once the applicant steps off the "happy path," and the application requires information that cannot be satisfied through questions and answers, the time to process the application becomes weeks rather than hours. Nurse screenings or doctors' reports are scheduled, completed, and the results assessed by the insurer's underwriting team.

The current industry standard is notoriously slow to book appointments; requires venous blood tests that need to be sent to a laboratory to process results; and results in a long process to make an underwriting decision. Client information can also be delayed due to the number of parties involved. In the UK, the collection of medical

underwriting information is typically outsourced, which leads to a lack of control and a clash of interests in delivering results quickly and efficiently. It also means the insurer is not in control of the client journey and their brand experience. All of which adds up to a lengthy, and potentially frustrating client process.

Figure 1: New Business Time Scales



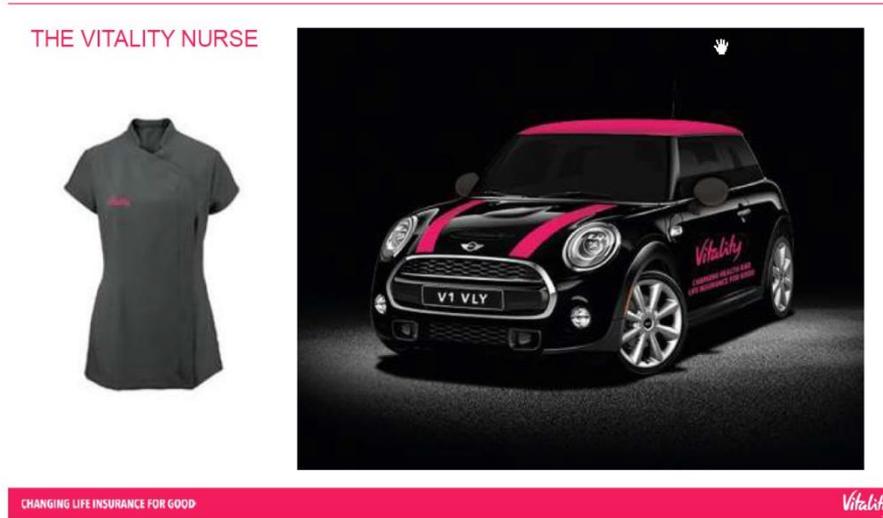
Source: Vitality

Solution

To make it quicker and easier to gather the evidence necessary to determine an applicant's underwriting status for coverage when medical screening is required, in February 2017, Vitality Life introduced a new team of Vitality nurses. The nurses are equipped with iPad-based medical evidence analyzers, developed in association with its technology partner Munich Re, to conduct the initial medical screening at the client's home.

The service is unique to VitalityLife and the first of its kind in Europe. Available to book six days of the week on its specially developed Concierge booking system, nurses conduct a screening that includes: a near patient blood test using a simple finger prick, providing instant results. Additional screening includes height and weight, and gathering responses to lifestyle-related questions. The nurses capture all the relevant information on a specially developed iPad app, which is then uploaded directly into an evidence analyzer and the underwriting systems. This app produces one of two outcomes: it either refers the client for additional manual underwriting or produces an immediate underwriting result. Instead of an average of 14 working days, the underwriting process can now be completed in as little as two hours, even when medical screening is required.

Figure 2: Vitality Nurse



Source: Vitality

To provide an extra layer of security to clients, all nurses wear a Vitality-branded uniform; use Vitality-branded equipment, and arrive in Vitality-branded Mini Cooper cars. Owning the end-to-end process allows VitalityLife to control turnaround times, improving the quality of the results and, ultimately, giving applicants faster access to coverage. A video describing the Vitality Nurse Service can be accessed at <https://www.youtube.com/watch?v=GYRPWKIYUzs>.

VitalityLife was able to take advantage of Munich Re's experience and technology developed in the US for the auto-assessment of paramed screening and lab results, to identify avenues where it could improve the customer journey. The Vitality iPad-based medical evidence analyzers were created using the ALLFINANZ Evidence Analyzer module. This module was created by Munich Re for the North American market to automate the collection and processing of electronic requirements from third party data sources such as MIB, motor vehicle reports, prescription databases, and laboratory reports. The evidence to be collected is fully controlled by underwriters.

The nurse booking system is built in Microsoft Dynamics and includes a plug-in with specialized functionality to manage appointment scheduling. It uses geocoding to match the nearest nurse to the client's location taking availability and travel time into consideration. If the adviser chooses not to do the booking themselves, the application is moved to the VitalityLife Concierge team to perform the booking instead.

The Concierge booking system is the one point of contact, support, and personalized relationship with the nurse. The hours of operations mirror those of the nurses' working hours. It provides:

- A team of six highly skilled individuals.
- A dedicated hotline that lets a team member confirm, cancel, manage, maintain, monitor, and chase bookings.
- Immediate notification to advisers of bookings, cancellations, or amendments.

- Automatic reminder emails sent to advisers, clients, and Vitality nurses 24 hours before appointments.

When screenings are completed, the nurse keys results into the Nurse App, which will automatically send the cases to underwriting. The following video explains to the applicant what to expect during the nurse appointment
www.youtube.com/watch?v=vh_3SHrQhiY.

Figure 2: Vitality Nurse App



Source: Vitality

Delivery/Implementation/Project

An agile team was created in November 2016 to deliver a minimum viable product (MVP). A backlog was created and continues to be managed and added to with new functionality and refinements delivered in regular sprints.

Integrating a new data source needed a high degree of collaboration between the Munich Re project team; the IT team responsible for the iPad-based medical evidence analyzer; and the underwriters responsible for the rules used to request and process evidence. To bring this about, the Munich Re team worked closely with Vitality to identify the data to be collected at each stage of the underwriting process. This data was then configured in the ALLFINANZ Rules Designer, at which point underwriters began working on rules, while the IT team started on the web services needed to integrate the medical evidence analyzer with ALLFINANZ's underwriting engine.

The MVP was built in six weeks and delivered in December of 2016. This allowed time for the Concierge Booking System and Nurse App to be piloted before going fully live on February 4, 2017.

The Vitality project team worked alongside the Munich Re project team to integrating the ALLFINANZ Evidence Analyzer for the MVP go-live. The Evidence Analyzer went live in December 2017.

Results

From a business perspective, the new service has enabled Vitality to simplify the blood testing process; replace doctor medicals with nurse screenings (when no ECG test is required), and remove the need for microscopic urinalysis as a standard screening requirement. Bringing the service in-house allows Vitality to have control of the costs since it doesn't rely on third parties.

While it is still early to give a definitive answer of cost savings over conventional paramedical exams, the service has been cost-neutral to date, including the setup costs. From an operational perspective, it has allowed Vitality to conduct higher-quality appointments, reduce underwriting workload, and produce better quality results, leading to more efficient turnaround times.

The Vitality nurses have also expanded into additional services which had been outsourced to third party providers. Examples of these services are medical teleinterviews where the nurses ask the medical questions and conduct wellness days where Vitality nurses meet with a firm's clients and perform health checks.

Vitality Nurse has provided an opportunity to increase brand value in the eyes of clients. The latest customer feedback figures show Vitality's Net Promoter Score improved from negative -13 in February 2017 to 34.8 in June 2017. It introduces members to the importance of health and wellness and enables Vitality to offer a superior service experience which brings four key qualitative benefits:

- Clients enjoy the convenience of having their medical screening in the comfort of their own home at a time of their choice.
- Because Vitality manages the service end-to-end, clients have the confidence of knowing their medical information is not managed by a third party.
- The coverage can start sooner, giving peace of mind to the insured.
- Advisers can get new business onto their books faster.

Currently 10% of the cases are scheduled by advisers. As awareness grows, Vitality expects this figure to increase rapidly.

The biggest challenge was the time to market. This was managed through implementing the project as an MVP, in order to deliver the minimum required functionality in the fastest possible time. Another benefit of using the MVP approach is that enhancements are made based on actual experience in the environment. Integration between legacy systems and new technology was also a challenge which was mitigated by extensive business testing before the go-live date.

Vitality Nurse is continuously improved based upon service reviews and monitoring of key metrics. This leads to the creation of new requirements/user stories that are brought to market using an agile methodology.

The service has received excellent feedback from applicants and advisers. The following video provides an overview of how the service has improved Vitality's members' experience, <https://www.youtube.com/watch?v=Fcah4gZ2SN0>.

CONCLUSION

Success breeds success. Each of the case studies provides benchmarks, metrics, risks, and mitigations and showcases best practices. Celent's intent for the Model Insurer program is to provide examples that illustrate how to effectively use technology and to inspire insurers who want to improve their own technology strategies.

Readers should take two key messages from this report. First, no one insurer does everything right. Rather, success is achieved by overcoming challenges and persevering. Second, effective use of technology is measurable and provides sustainable benefits beyond the initial initiative. This is the common thread among every Model Insurer winner. The winning insurers have created a program, an initiative, or a transformation that achieved operational excellence; and for that, they should be proud.

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