

"VITALITY" INSURANCE - ARGUMENT FOR THE IMPLEMENTATION IN ROMANIA OF THE VITALITY INSURANCE PRODUCTS RANGE

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Abstract

Vitality Insurance combines actuarial, behavioral and clinical tools into a step-by-step program that helps members improve their health through wellness activities, by choosing a healthy lifestyle and by rewards that become larger as insurers become more active. This set of insurance has a positive impact on the health of the insured, on the productivity of the work, the reduction of the mortality rate and morbidity in the insurance field and in the society.

The correlation between Vitality - Insurance and the welfare of the insured, including the costs and benefits of this shared insurance, has concerned the researchers interested in the topic to identify personal and social effects, including those related to lost productivity (absenteeism and presenteeism). The measurement of this relationship between the characteristics of the healthy lifestyle and the costs involved in health care and productivity was made mainly by the Healthy Lifestyle Index (HLI). This is the sum of six characteristics of a healthy lifestyle, respectively, 1) height and weight, 2) physical activity, 3) fruits, 4) vegetables, 5) alcohol consumption (yes / no) and smoking (no, or former smoker / current smoker).

A complete set of Vitality insurances is made up of three programs that encourage and reward you: 1) to live healthier (health check, active life, healthy food and food, etc.); 2) to drive well (prudent behavior in driving) and 3) to do better banking activities (the prevalence of saving over debt). The benefit for insurance companies is the substantial reduction of the damage in life and non-life insurance.

In the first part of the article we will investigate some specialized studies on the correlation between encouraging health status, active life and prudent behavior, on the one hand and personal, social and productivity effects, on the other. In the second part we will identify the benefits of the Vitality insurance product range, the Vitality classification and the gradual

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rewards on price and tariff reductions for Vitality products and services, including Vitality insurance premium reductions. Finally, we will highlight the benefits for insurance companies that distribute Vitality insurance products.

Keywords: Vitality - Insurance, wellness, social rewards and benefits, injury rate

JEL Classification: G40; G51; G52; I31

Introduction

Vitality is the world's largest program for sharing insurance products with the well-being of the insured. It encourages policyholders to develop healthy, long-term living habits that benefit the entire society. Vitality members benefit from a healthier life as well as rewards from insurance companies, rewards that become greater as insurers are more active. In this context, the substantial reduction of the damage in life and non-life insurance takes place.

“The Vitality solution has been designed around three main principles:

1. Rewarding healthy behavior, with benefits and promotions offered by a wide network of partners covering a full range of life activities (eg, nutrition, gyms, travel);
2. Customizing the customer relationship to motivate them towards activities that improve their lifestyle with frequent interactions and tailored programs;
3. Providing a new and last-minute connection between the insurer and the client through a shared value offer ”(Generali, 2014).

The concept of Vitality - Insurance has been implemented since 1992 by the Discovery Limited group, a financial services organization founded in South Africa, which operates in the healthcare, life insurance, short term insurance, savings and investments and wellness markets. The main objective is to make people healthier and to improve and protect their lives, thus constituting a force for social good.

The company has expanded its operations globally to over seven million customers in South Africa, the United Kingdom, the United States, China, Singapore and Australia. "Vitality, Discovery's wellness program, is the largest scientific wellness solution based on incentives for people and corporations" (Generali, 2014).

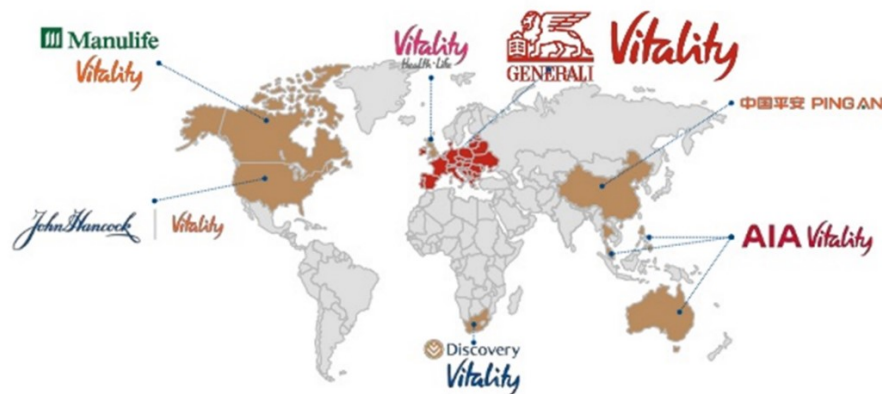


Figure no. 1. Geographical distribution of Vitality programs

Source: Generali Vitality

Vitality combines actuarial, behavioral and clinical tools into a step-by-step program that helps members improve their health through wellness activities and by choosing a healthy lifestyle:

- relies on behavioral economics to support, guide and stimulate behavioral changes in lifestyle
- uses technology to track well-being and to facilitate the use and monitoring of insurance programs and
- aims to reduce health and life risks

Members receive rewards for becoming healthier, which ultimately has a positive impact on the prevalence of mortality and morbidity in insurance and in society.

1. Literature review

The concept of vitality has its ancient origins in Eastern philosophies and traditions. “The ancient Chinese concept of Chi, the Japanese concept of Ki, the Balinese concept of Bayu and the Indian concept of Prana refer to an energy or life force that underlies life and health. Old and lasting health practices, from acupuncture to reiki to yoga, focus on controlling and increasing the energy of life.

Psychodynamic psychologists, such as Freud, Jung, Reich and Winnicott, have incorporated the notion of energy of life into their theories about mental health. At the heart of these theories was the idea that we have a finite amount of psychic energy (or, as Freud called it, libido). Internal conflict, stress and repression decrease from our energy and the release of this conflict allows greater access to this energy”, Ben Dean, 2005

The correlation between Vitality - Insurance and the welfare of the insured, including the costs and benefits of this shared insurance, has concerned the researchers to identify personal and social effects, including those related to lost productivity. In terms of productivity, costs refer to the phenomenon of absenteeism (periods of absence from work due to medical reasons, family emergencies, extra-service tasks, etc.) and presentism (working at work more hours than necessary, especially as a manifestation of insecurity regarding the work place, lack of the "boss" of work due to the state of health, lack of motivation, etc.). A possible strategy to reduce the costs of the company may be to improve the life characteristics of individuals and those related to health.

The Hartman and other study (2016) aims to examine the mediating effect of the well-being of citizens of the Netherlands on the relationship between the characteristics of a healthy lifestyle and the costs related to health care and lost productivity. The technique of an online interview panel was used on a random sample of 4,231 adults, representative of age, gender and chronic diseases.

The measurement of this relationship between the characteristics of the healthy lifestyle and the costs involved in health care and productivity was made, first of all, by the Healthy Lifestyle Index (HLI). This is the sum of six characteristics of a healthy lifestyle, respectively: 1) height and weight (Body Mass Index, BMI), 2) physical activity, 3) fruits, 4) vegetables, 5) alcohol consumption (yes / no). and smoking status (no, or former smoker / current smoker). Second, costs related to health care and productivity were measured using a utilization questionnaire (resources for these activities, Resource Utilization Questionnaire, RUQ).

From the regression analysis of the responses to the questionnaires it follows that the healthy lifestyle reduces by 28.4% the costs of health care and by 39.4% the costs related to lost productivity”, Hartman (2016). In conclusion, Vitality mediates the relationship between the benefits of a healthy lifestyle and the costs of health care and lost productivity.

Also a Dutch study was carried out by Steenbergen and others (2015) on its vitality and its association with the participation and costs of the company. Vitality is defined as energy (energy feeling), motivation (setting goals in life and striving to achieve them) and resilience (coping with daily life problems and challenges) and targeting one's ability to possess them. Vitality was measured using the validated Dutch vitality questionnaire (Vita-16) regarding the costs of vitality, participation and society.

The information was collected through an internet survey of 8,015 Dutch adults over 20 years old and they looked at the economy (ie, the willingness / ability to work, absence at work, job performance), society (ie voluntary work, providing informal care) and social participation (respectively, the quantity and quality of social contacts), as well as social costs (ie, healthcare and work-related ones).

Significant correlations were identified between vitality and

- sustainable employment: $\beta = 1.21$, able to work: $\beta = 2.09$, absenteeism of work: OR = 0.75, work performance: $\beta = 0.49$),
- social participation (ie voluntary work, informal care) and social (respectively, the quantity and quality of social contacts),
- social costs (respectively, healthcare costs: $\beta = -213.73$), the costs of absenteeism: $\beta = -338.57$ and the costs of presentism: $\beta = -9393.31$).

In conclusion, this study identified significant positive correlations between vitality and economic, social participation and negative correlations between vitality and society costs. These results can encourage public policies to increase and maintain vitality, policies that contribute to improved social participation and lower societal costs.

2. Range of life insurance products, Vitality

Discovery Vitality is made up of three programs that encourage and reward you:

- to live healthier (Vitality Health: Vitality Health Check, Vitality Active, Vitality Age, Vitality HealthyFood / HealthyDinning, Vitality Health Medical Scheme);
- to drive well (Vitality Drive) and
- to do better banking (Vitality Money)

2.1. Vitality Health Program

Includes tools and monitoring for improving health, respectively, performing medical checks, eating healthy foods, active physical exercises.

The program awards points for these Vitality Health activities, for improving health;

- Health checks and assessments: up to 33,000 Vitality points
- Exercises: up to 30,000 Vitality points
- Nutrition: up to 12,000 Vitality points

a. Vitality Health Check is a set of essential health and preventative tests (at a Vitality health clinic or licensed medical partners) that include:

- Blood pressure
- Blood glucose / HbA1c
- Cholesterol / Lipogram
- Weight assessment / BMI
- Non-smoking statement

Vitality Health points are awarded based on age and gender for medical checks on:

- a.1 Pap smear = 2,500 points
- a.2 Mammography = 2,500 points
- a.3 Colonoscopy = 2,500 points
- a.4 Screening for glaucoma = 2,500 points
- a.5 HIV test = 5,000 points
- a.6 Dental health check = 1,000 points
- a.7 Influenza vaccination = 1,000 points
- a.8 Score activities for the elderly = up to 7,500 points

b. Vitality Active includes the set of activities related to walking, running, cycling, swimming, golf, sports, etc. (in Vitality partner health clubs, with connectivity to a fitness device) which grants up to a maximum of 30,000 fitness points per year:

- 50 pct / day: 5,000 - 9,999 walking / running steps
- 100pc / day: at least 10,000 walking / running or light workouts in the gym for at least 30 minutes or a round of golf or training record at an approved fitness facility
- 200 pct / day: moderate training in the gym for 30-59 minutes
- 300 pct / day: moderate training in the gym for at least 60 minutes or vigorous training in the gym for at least 30 minutes or 5 - 9 km walking / running; swimming 0.5-1 km; cycling 25-49 km
- 600 pct / day: between 10 and 20 km walking / running; swimming 1.1-3km; cycling 50 - 99 km
- 900 pct / day: between 21 and 41 km walking / running; swimming 3.1 - 5.9 km; cycling 100 - 179 km
- 3,000 pct / day: at least 42 km walking / running; swim at least 6 km; cycling at least 180 km; a sports race from the Vitality calendar

c. The Vitality Age program is the set of tools and monitoring that measures all aspects of wellness such as exercise, nutrition and stress in relation to the actual age of the insured.

Actions:

1. Learn the Vitality Age and perform the Vitality Health health tests
2. Purchase HealthyFood products from agri-food stores and Health Care products from pharmacies that are Vitality partners
3. Performing fitness and hiking activities with heart rate monitoring device (from Vitality partner distributors)
4. Buy the HealthyFood meal through Uber Eats, Vitality partner, for the insured (25% discount) and for their children (50% discount)

Figura nr. 2. Marcarea produselor sănătoase achiziționate, cu cardul de credit Discovery, de la distribuitorii agroalimentari, parteneri Vitality

(banane, ciuperci, rosii org., morcovi org., unt Solo, ceapa rosie, usturoi etc.)



d. The Discovery Health Medical Scheme program range includes the life insurance toolkit that financially protects the insured and his family in the event of death, disability, severe illness or loss of income:

d1. Diabetes Care, a diabetes care program, is a tool for the insured and the family doctor to track progress on a personalized dashboard that displays a Diabetes Management Score.

It covers valuable medical services from healthcare providers.

d2. Oncology Programs financially protect the insured in the case of cancer, across the entire spectrum of cancer severity and remission. It covers the costs related to the approved treatment for cancer, chemotherapy, radiotherapy and other healthcare services, medicines (based on evidence, cost effectiveness and accessibility). If the treatment costs more than the amount covered by the diabetes program or the oncology program, a co-payment of 20% of the subsequent additional costs will be made.

2.2. Vitality Drive Program

It monitors (with a telematic device) the driving behavior and offers rewards proportional to the rating on the insured's behavior in the car traffic.

Figura nr. 3. Reducerile de prime de asigurare în funcție de calificarea în comportamentul de conducere auto :

| Vitality Drive status | Discount |
|-----------------------|----------|
| Diamond | 20% |
| Gold | 15% |
| Silver | 10% |
| Bronze | 5% |
| Blue | 2.5% |

Sursa: Discovery Vitality

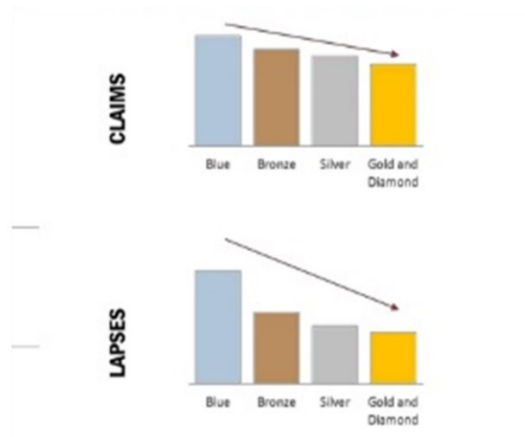
By better driving behavior (slow acceleration, light braking, easy steering, speed limits compliance, no mobile phone at the wheel) and using the Vitality Drive card at the time of purchase, you can obtain, in addition:

- up to 50% reduction in fuel payment from Vitality partner stations.
- up to 25% off from DriveMe partners, Vitality partners (for example, Uber, Road Trip and Scooter Angels).
- up to 20% discount on the purchase of tires and tires from Vitality partners (for example, Tiger Wheel & Tire).

The benefits for auto insurance companies consist of:

- => reducing claims for damages and
- => reduction of inattention (increased concentration) in driving:

Figura nr. 4. Reducerea cererilor de daune și reducerea neatenției la volan, în funcție de calificativele Vitality Drive :



Sursa: Generali Vitality

In a previous empirical study (Constantinescu, 2018) it was estimated the financial impact of the telematic insurance in Romania on the gross subscribed premiums and the gross paid payments, including, the socio-economic impact of these telematic insurances on the reduction of the number of kilometers and the fuel consumption. , the decrease in the number of accidents and deaths, implicitly, on the reduction of the cost of damages¹.

2.3. Vitality Money Program

It includes the set of financial products that stimulate the insured in making better financial decisions that will generate higher levels of savings, a lower risk and an increase in wealth for the society as a whole.

If all individuals and the nation as a whole want to move forward, we must reduce our debt and promote a healthier banking culture.

benefits:

- reduction of the loan interest rate by up to 6%, which would lead to an increase in the rate of savings deposits and other positive balances by 1.5%
- up to 100% refund on monthly gym fees (Vitality partners)
- up to 75% of flights with Vitality partner companies
- up to 75% reimbursement for the cost of food and personal care products for HealthyFood and sports, fuel and UBER rewards etc.

Figura nr. 5. Cele cinci comportamente ce pot fi motivate prin Vitality Money pentru a reduce trei riscuri financiare, majore, care determină 80% din motivele pentru care persoanele nu își îndeplinesc obligațiile financiare :



Sursa: Discovery Vitality

¹ Constantinescu, C.C., Stancu, I., Panait, I., 2018, Studiu de impact al asigurărilor auto telematice, Revista de Studii Financiare nr. 4, București, 2018.

Changing five simple behaviors can have a massive impact on your financial health:

1. Spending less money than you earn
2. Regular saving
3. Payment of debts for the property
4. Long-term investment
5. Insurance against insurable events

3. Vitality reward stages and Vitality classification

The Vitality program first involves a complete knowledge of the health status and the objectives of its monitoring according to age. The report states the "roadmap" of its improvement through preventive care, physical activity, managing medical conditions, quitting smoking, healthy eating, etc.



Figure no. 6. Vitality reward stages

Source: Discovery Vitality

The Vitality program encourages the engagement in such activities to increase the health status by gradually granting to Vitality insured persons according to which they are classified in one of the categories: Blue (from the beginning), Bronze, Silver, Gold or, best of all, Diamond (for three successive Gold classification years).

Table no. 1. The successive categories of qualification according to the accumulated Vitality points

| | Blue | Bronze | Silver | Gold | Diamond |
|-----------------|---|--------|--------|---------|---|
| Single member | You start on Blue Vitality status | 10 000 | 30 000 | 45 000 | Reach Gold for three years in a row to get to Diamond Vitality status |
| Main member + 1 | | 20 000 | 60 000 | 90 000 | |
| Main member + 2 | | 30 000 | 80 000 | 120 000 | |

For each additional member aged 18 and older, add 10 000 (Bronze), 20 000 (Silver) and (30 000) Gold.

Attracting a member or two to the Vitality program adds points in favor of the main member and can promote it in the upper class with rewards between 19.3% and 38.6%. The Vitality class thus obtained gives the insured the right to rewards commensurate with the level of the class won (savings of up to 75% at the rates for the gym, price reductions of up to 75% for healthy foods, discounts of up to 35% for local trips or international, reductions of up to 50% on fuel, plus up to 25% of the cost of Uber travel, up to 7.5% interest on bank savings, etc.).

Conclusion

The insurance companies that have undertaken the promotion, encouragement and development of the Vitality insurance range, achieve not only a better life for the insured, but also a policy of increasing social welfare.

At least two intense correlations are highlighted between 1) encouraging and rewarding those who lead a healthy and active life reducing social costs, including increasing labor productivity and 2) the synergy effect between insured and insured on reducing insurance premiums on insured and reducing the rate of damage to insurers.

And last but not least, the benefits are of the whole society which will register an increase in social welfare and an increase in wealth for the society as a whole. We consider the better health and activity status of individuals, as well as their prudent behavior in driving, in finance and in society.

Acknowledgement

This work was cofinanced from the European Social Fund through Operational Programme Human Capital 2014-2020, project number POCU/380/6/13/125015 "Development of entrepreneurial skills for doctoral students and postdoctoral researchers in the field of economic sciences"

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