



Claims: Delivering on our promise

Discovery Life's award-winning products are designed to meet the needs of our clients when they suffer life-changing events. Our products are supported by a unique claims methodology, which provides an efficient and compassionate claims experience.

Discovery Life has paid in excess of R2.3 billion to date.

10 facts on Discovery Life's claims experience from July 2007 to June 2008

- **Discovery Life paid out more than R750 million to South Africans or their estates**

Discovery Life's claims experience is in line with expectation. From July 2007 to June 2008, paid claims were split between our products as follows:

| Claims per benefit | Amount paid |
|-----------------------------|---------------------|
| Life Cover Benefit | R483 725 013 |
| Severe Illness Benefit | R93 511 851 |
| Capital Disability Benefit | R143 528 317 |
| Income Continuation Benefit | R19 824 732 |
| Overhead Expenses Benefit | R3 039 461 |
| Family Benefits | R827 209 |
| Health Plan Protector | R10 476 002 |
| Global Education Protector | R1 052 980 |
| Total | R755 985 565 |

- The total cover reinstated as a result of the Minimum Protected FUND was **R91 million**.
- Discovery Life **upgraded 22** Income Continuation Benefit claimants to 100% of their pre-disability earnings.
- The highest number of multiple claim payments that have been made to one life assured is **5**.
- The Global Education Protector currently covers the education costs of **52 children**. (1 164 children are covered under Discovery Life Group Risk).
- The Health Plan Protector currently covers the medical contributions of **381 families**.
- Discovery Life paid **91%** of all submitted claims.
- Discovery Life paid out **R17 million** in Health Dividends.
- Discovery Life has paid out **R29 million** through the Integrator PayBack Benefit to date. This is projected to grow to over **R400 million** by 2012.
- Discovery Life accumulated an additional **R245 million** in Health Funds, totaling **R1.123 billion** since inception of the Health Plan Protector.

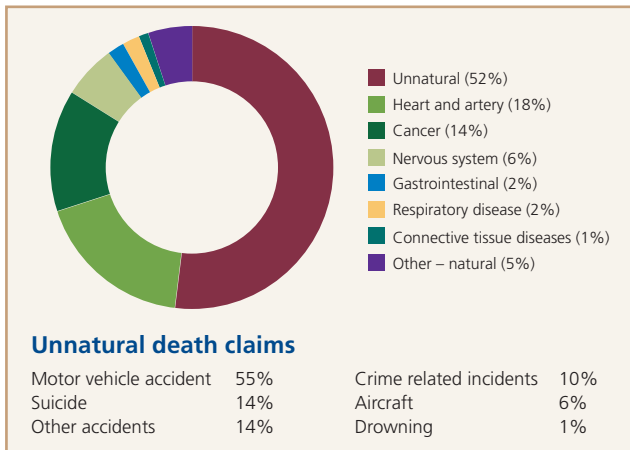
What's inside

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Life cover – protect the lifestyle of your loved ones

Inadequate life cover can leave your family in immense financial distress.

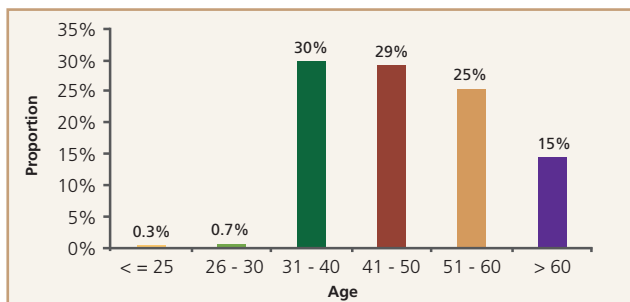
Causes of death claims



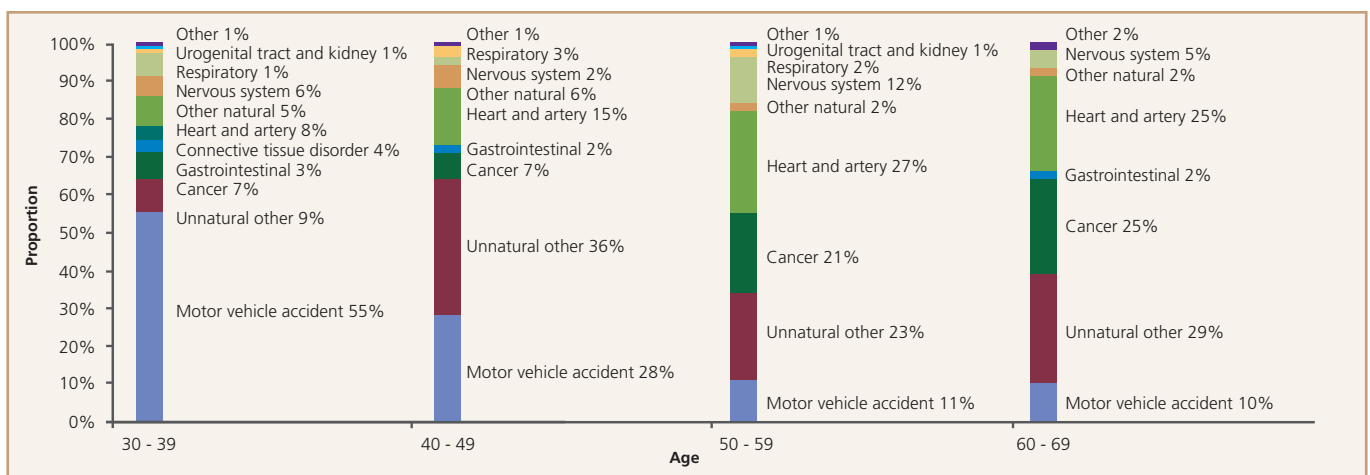
Unnatural deaths occur irrespective of your level of health or age. This clearly underlines the need for life cover.

Death claims by age

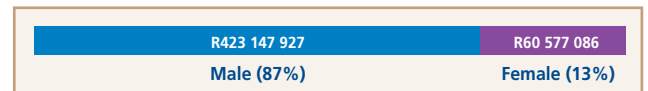
More than 60% of Discovery Life's death claims paid were for deaths of policyholders younger than 50 and more than 85% were for deaths of policyholders younger than 60. At these ages, the need for life cover is significant, particularly as financial commitments tend to be higher, for example debt and to look after financial dependants.



Causes of death claims by age



Death claim payouts by gender



A snapshot of Mr Smith's experience



Mr Smith paid his first premium on 2 April 2008. Only five days later, he died tragically in a plane crash.

His claim was submitted on 10 April 2008, and the required documents were sent to Discovery Life on 15 April 2008. We paid his claim on the same day.

We believe that it is essential that we pay out claims as soon as possible.

** This is an actual Discovery Life claim. The name of the claimant has been changed.*

Discovery Life protects your income

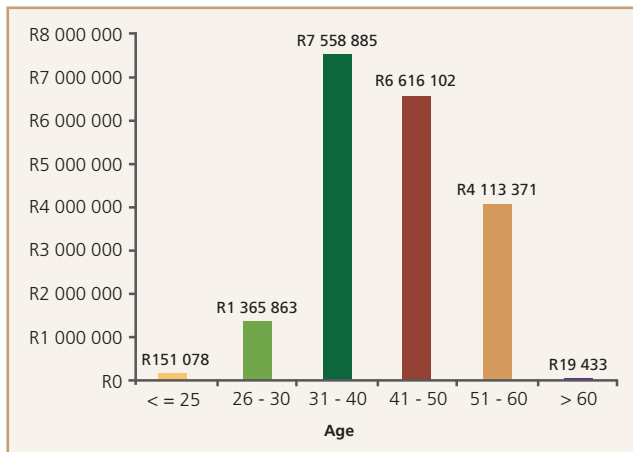
The unique features of Discovery Life's Income Continuation Benefit combine to ensure that your income is suitably protected on temporary and permanent disability.

Discovery's Income Continuation Benefit includes the following features:

- a. **Temporary disability:** Contribution Protector, Interest Rate Protector and Premium Waiver
- b. **Permanent disability:** Immediate upgrade to 100% of earnings, Premium Waiver and the Dynamic Spend Protector

In addition, the Comprehensive CPI + 3% in-claims escalation option, ensures that payouts keep up with expected earnings growth.

Income Continuation Benefit payouts by age



Interesting statistic 1

During the period considered, the likelihood of an Income Continuation Benefit claim for a 45-year old was 10 times more likely than a Capital Disability Benefit claim.

Income Continuation Benefit payouts by gender



Case study: Value of the CPI + 3% in-claims escalation option

Consider a permanent disability claimant, with pre-disability earnings of R30 000 pm.

Comparing the present value of future benefit payments

| Years to expiry | In-claims escalation, equals inflation | In-claims escalation, equals inflation + 3% | Increase in benefit due to inflation + 3% |
|-----------------|--|---|---|
| 10 | R3 233 731 | R3 806 185 | 17.70% |
| 15 | R4 625 735 | R5 857 625 | 26.63% |
| 20 | R5 886 516 | R8 014 787 | 36.16% |
| 25 | R7 028 444 | R10 283 121 | 46.31% |

Assumptions: Inflation 10%, Interest 12%

Inflation + 3% option offers significant value (additional premium for inflation + 3% option is 20%)

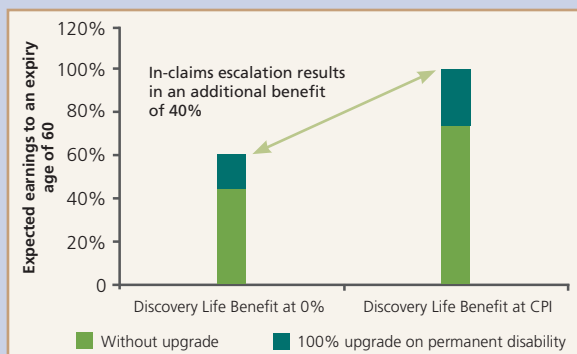
A snapshot of Dr Arthur's experience



Dr Arthur was involved in a motor vehicle accident in July 2007, leaving him a quadriplegic. He took out his LIFE PLAN a year and a half before the accident.

Dr Arthur was 35 years old at the time, and had a Capital Disability Benefit, Income Continuation Benefit, as well as a Health Plan Protector. He met the conditions for a Category A claim under the Capital Disability Benefit and R528 500 was paid out to him.

His Income Continuation Benefit was upgraded to 100% of his monthly earnings declared at application stage. He also selected a CPI in-claim escalation rate, which means that his Income Continuation Benefit increases every year by the lesser of the core CPI rate for that year or 10%. His income declared at application stage was R25 000 and his Income Continuation Benefit is currently R30 500. Because he will never be able to follow his nominated occupation as a medical practitioner again, he will receive his monthly Income Continuation Benefit until his selected expiry age of 60. In today's terms, it is estimated that Dr Arthur will be paid in excess of R5.7 million by the time he turns 60. If he hadn't chosen the claims escalation on his policy, the expected total payout would only have been R3.4 million, 40% less.



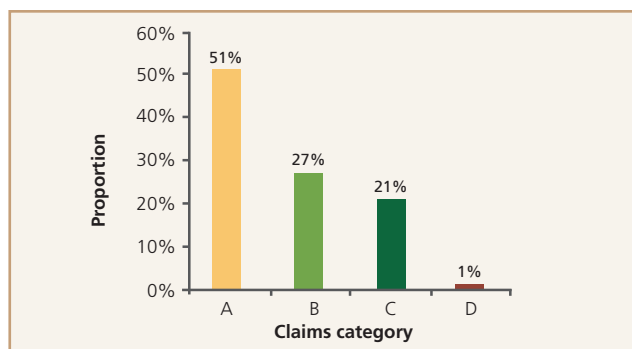
* This is an actual Discovery Life claim. The name of the claimant has been changed.

Discovery Life's disability benefits – a superior claims assessment methodology

The unique features of Discovery Life's Capital Disability Benefit combine to ensure that our clients have the most comprehensive cover.

Disability is assessed for the various categories by using measures like medical criteria, Activities of Daily Living, loss of income while permanence is established and the nominated occupation underpin. An important consequence of this is that payouts are made more often than with traditional disability products. This can be seen in the graph below:

Capital Disability Benefit claims by category

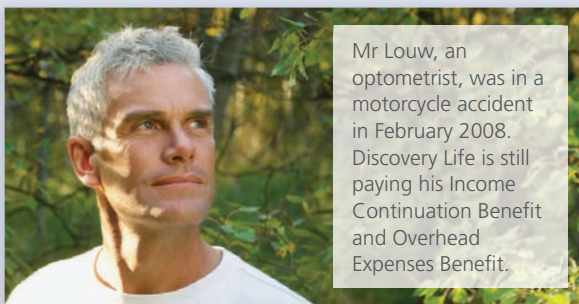


The robustness of the medical definitions and Activities of Daily Living measures within the product are also highlighted by the above graph in that only 1% of all permanent disability claims fall in the nominated occupation definition of Category D.

Dynamics of Discovery Life's unique loss of income underpin (Category C payment)

- 2.5% of the cover amount is paid every four months for up to two years on a loss of 80% or more of your income
- 50% payment if the loss of income continues for two years and the balance of the Capital Disability Benefit if the loss of income continues for another year.

A snapshot of Mr Louw's experience



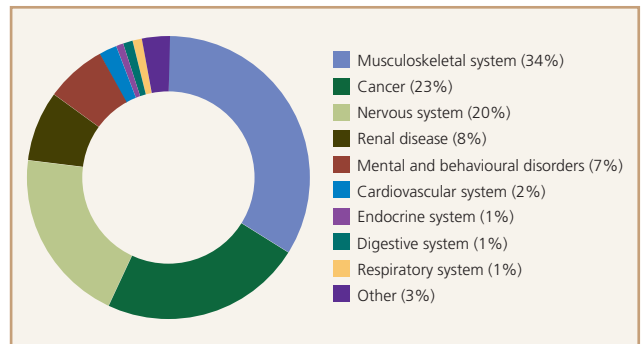
In addition, a Severity B Severe Illness Benefit (coma for more than two weeks) was paid. He has now been discharged from hospital and is busy with rehabilitation after which his Capital Disability Benefit will be assessed. During this time, Discovery Life has made two Category C payments and the family has been visited by a claims assessor to assist with the completion of forms in addition to providing counselling and support.

** This is an actual Discovery Life claim. The name of the claimant has been changed.*

New generation disability product – LifeTime Capital Disability Benefit

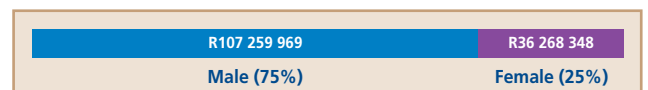
This new generation benefit adjusts cover dynamically to reflect the loss in future earnings relevant to the specific cause of the disability and expected future salary growth.

Causes of Capital Disability Benefit claims

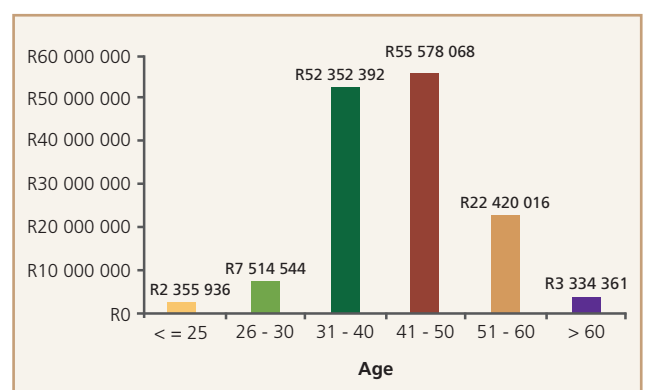


18.2% of all claims are as a result of mental, behavioural and back conditions, which show the importance of comprehensive cover with no explicit exclusions.

Capital Disability Benefit claim payouts by gender



Capital Disability Benefit claim payouts by age



From the above, it is clear that disability events affect the whole age spectrum.

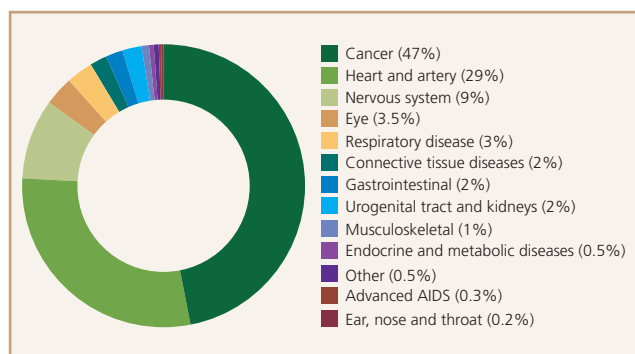
Severe illness cover doesn't need to be a game of chance

Our unique Severe Illness Benefit was the first to cover all major anatomical and physiological systems in the body with no gaps in cover. The Severe Illness Benefit ensures that clients and their families will have funds available to facilitate any lifestyle changes needed on suffering a severe illness.

The recently introduced LifeTime Severe Illness Benefit measures the lifestyle impact not only by looking at the clinical severity, but also by considering the long-term impact of the illness to determine the benefit amount.

The graph below clearly depicts the importance of whole body coverage offered by our Severe Illness Benefit.

Causes of Severe Illness Benefit claims



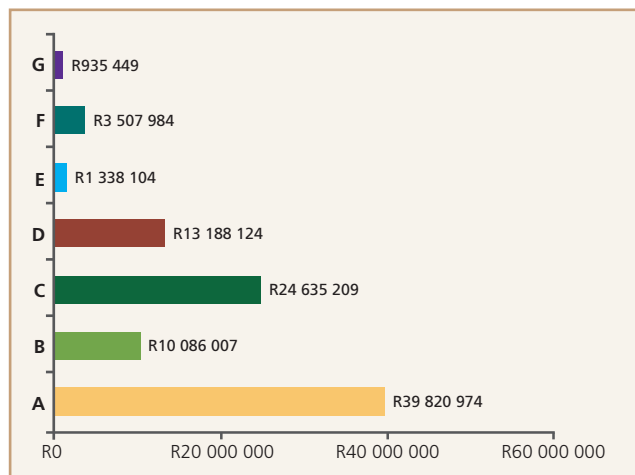
As can be seen, the two leading causes of claims were cancer and heart and artery disease, together accounting for more than three quarters of claims.

Interesting statistic 2

Of all claims for male clients, 40% were due to heart and artery conditions, while 37% were due to cancer. However, for female claimants, 70% were due to cancer and only 4% were due to heart and artery conditions.

As the graph below shows, most of the severe illness claims have been Severity A claims, however the value of tiered severities can easily be seen with claims occurring under all seven severities.

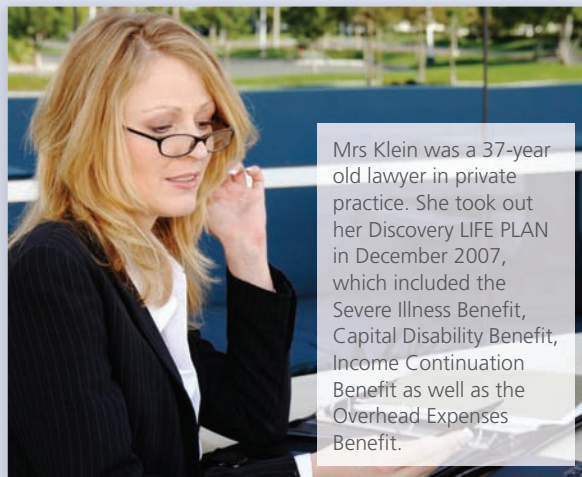
Severe Illness Benefit claim payouts by severity



Interesting statistic 3

R2.25 million has been paid out on the automatic child and parent Severe Illness Benefits.

A snapshot of Mrs Klein's experience



Mrs Klein was a 37-year old lawyer in private practice. She took out her Discovery LIFE PLAN in December 2007, which included the Severe Illness Benefit, Capital Disability Benefit, Income Continuation Benefit as well as the Overhead Expenses Benefit.

A month later she started experiencing symptoms of tiredness, shortness of breath, dizziness and fever. On 14 January 2008 she was diagnosed with Acute Myelogenous Leukemia. She started chemotherapy immediately and was placed on the bone marrow transplant list.

The Severe Illness Benefit paid out R1 million and the Capital Disability Benefit, R250 000. Her Income Continuation Benefit and the Overhead Expenses Benefit were approved for three months from 14 January to 14 April 2008. Given that her illness met Category A of the Capital Disability Benefit criteria, her Income Continuation Benefit was upgraded to 100% of her monthly earnings declared at the application stage.

Sadly, she lost her battle against cancer and passed away on 3 April 2008.

** This is an actual Discovery Life claim. The name of the claimant has been changed.*

Fast facts

- **The likelihood of a recurring heart attack is 30%**
(Post Graduate Medicine)
- **The likelihood of a recurring stroke is 25%**
(National Stroke Association)
- **The likelihood of paraplegia leading to kidney failure is 20%**
(Neurology Report, Finley et al)
- **One in four South Africans will develop cancer in his or her lifetime**
(Cancer Epidemiology Research Group)
- **Every eight minutes a South African suffers a heart attack.**

Multiple claims are a reality

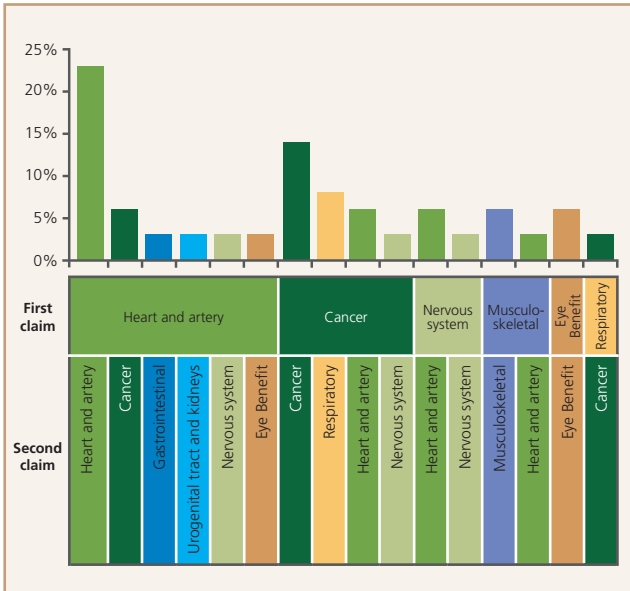
Our claims experience underlines the increased risk of conditions that recur, worsen or progress – affecting not only your lifestyle, but also your earning ability.

Discovery Life is the only life insurer to offer:

- the ability to claim in excess of the selected cover amount
- multiple claims regardless of a higher, lower or same severity

Unmatched reinstatement ability is achieved through combining the Minimum Protected FUND with the unique multiple claims definition.

Multiple claims on the Severe Illness Benefit from July 2007 to June 2008



The above graph shows the increased likelihood of subsequent illnesses that are the same or related.

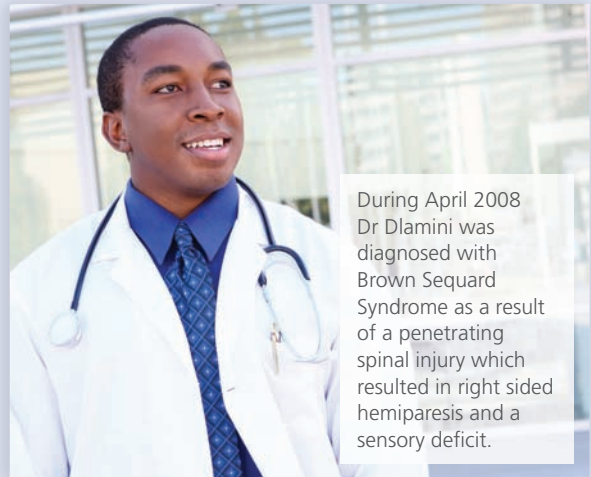
A snapshot of Mrs Stein's experience

A young Mrs Stein suffered a Stage 4, ductal carcinoma of the breast in May 2007. A Category A Capital Disability Benefit of R1 060 900 was paid. Her Minimum Protected FUND reinstated her LIFE FUND to R530 450. She was treated with chemotherapy after a partial mastectomy and medical reports stated that her PET scan was clear towards the end of 2007 showing no evidence of disease since November 2007.

A follow-up sonar in April 2008 showed suspicious lesions in the other breast – it turned out that she had two areas of well differentiated, infiltrating ductal carcinoma in the other breast. The claims forms confirmed that both the oncologist and surgeon regarded this as a 'new primary', 'new malignancy'. An additional Severity A claim, equal to R281 377 was paid out under the Severe Illness Benefit. Her LIFE FUND has been reinstated to R530 450.

** This is an actual Discovery Life claim. The name of the claimant has been changed.*

A snapshot of Dr Dlamini's experience



During April 2008 Dr Dlamini was diagnosed with Brown Sequard Syndrome as a result of a penetrating spinal injury which resulted in right sided hemiparesis and a sensory deficit.

The treating specialist at the time advised that he should recover significantly with rehabilitation. His claim was logged and approved for a Category B Capital Disability payout and he received R265 225 from Discovery Life. After 14 days, the LIFE FUND was reinstated to 100% because of the Minimum Protected FUND.

After the rehabilitation was complete, an assessment by an occupational therapist confirmed that the fallouts would be permanent. The occupational therapist's report also confirmed that the client would not be able to continue in his nominated occupation. He therefore qualified for an additional Category D Capital Disability payout, R265 225 was paid.

** This is an actual Discovery Life claim. The name of the claimant has been changed.*

Our clients' experience in claiming from us

We give our clients certainty of their benefits and provide them with excellent service.

Our unique claims services include:

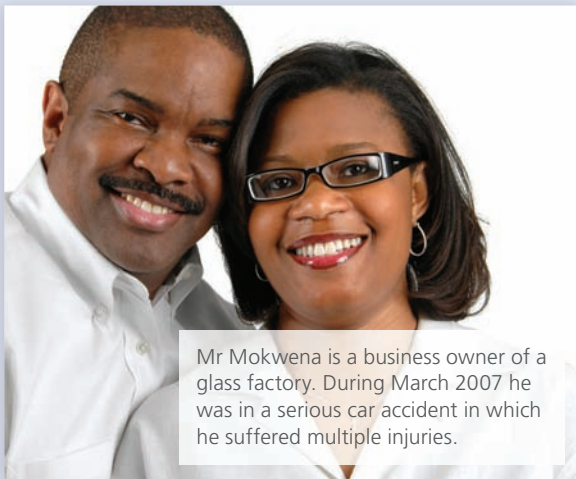
1 Case management

At Discovery Life we take a holistic approach to assisting claimants. This includes ongoing support to protect the needs and lifestyle of not only our policyholders, but also their families. We provide ongoing access to:

- **a case manager** – trained to advise on the Discovery Life claims process and benefits
- **counselling** – offered through the Independent Counselling Advisory Service (ICAS), **24 hours a day, seven days a week**
- **rehabilitation** – helping clients to adapt to their new lifestyle and facilitating maximum improvement of the condition.

Our efforts to assist our policyholders in every way possible are clearly shown in this case study.

A snapshot of Mr Mokwena's experience



Mr Mokwena is a business owner of a glass factory. During March 2007 he was in a serious car accident in which he suffered multiple injuries.

Due to his injuries he was unable to perform his nominated occupation – both the Income Continuation Benefit and Overhead Expenses Benefit were paid. In addition his loss of income was more than 80% which resulted in a Category C Capital Disability Benefit claim – 2.5% of his Capital Disability Benefit amount every four months.

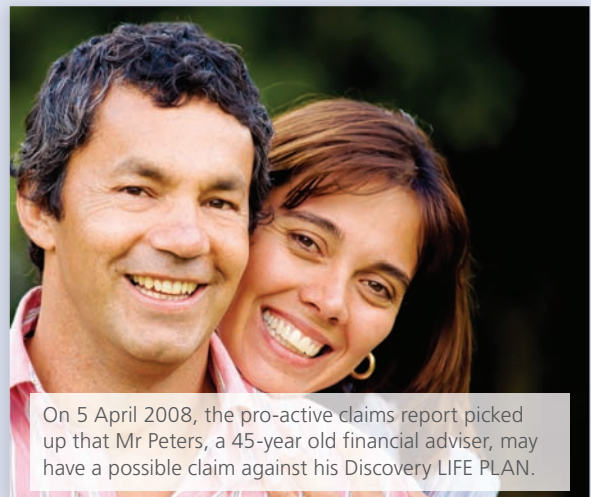
In June 2008 he had improved to the point where he could return to work, but he still depended on crutches and received therapy every second day, which left him exhausted and in extreme pain. One of our case managers was actively involved in ensuring that he received optimal medical treatment and rehabilitation in order to facilitate a gradual return to work programme. He is currently back at work on a half-day basis. Because he is only able to earn a portion of his salary, we are still continuing with the Income Continuation Benefit payments, aggregated by his current income.

** This is an actual Discovery Life claim. The name of the claimant has been changed.*

2 Pro-active claims

Through our relationship with the Discovery Health Medical Scheme, we can assist in identifying when a Discovery Health member with a LIFE PLAN may be eligible for a claim. This is explained in this case study.

A snapshot of Mr Peters' experience



On 5 April 2008, the pro-active claims report picked up that Mr Peters, a 45-year old financial adviser, may have a possible claim against his Discovery LIFE PLAN.

From the Discovery Health records it was determined that Mr Peters was involved in a motor vehicle accident on 1 April 2008 and sustained a neck injury, leaving him paralysed from his neck down. Mr Peters manages his own Discovery LIFE PLAN and was still in hospital so we contacted his fiancée to inform her that he may have a possible claim on his LIFE PLAN. His LIFE FUND amounted to R3.4 million with Comprehensive plus Capital Disability of R2.5 million and a Premium Waiver on disability. His diagnosis met Category A of the Capital Disability Benefit – R2.5 million was paid out and his Discovery LIFE PLAN premiums will be waived until he turns 65.

** This is an actual Discovery Life claim. The name of the claimant has been changed.*

3 Smart Claims

To assist claimants in the claims process:

- assessing claims on site, either at home or hospital
- collecting relevant documentation.

4 Smart ICB Claims

To make payments as quickly as possible, the claims process is performed telephonically for short-term claims. This allows for claim payments within three to seven days.

Comparing claim payouts between life insurance companies

Claim comparison table

| Details of claimant | Condition | Discovery Life – Severity / Category | Discovery Life | Company A | Company B | Company C |
|--|---|--------------------------------------|-------------------|-----------------|----------------|----------------|
| Male, 32 years old, LIFE FUND: R319 500 | Polymyositis | Severity D | R39 938 | R0 | R0 | R0 |
| | | Category C | R6 989 | R0 | R0 | R0 |
| Male, 49 years old, LIFE FUND: R1 060 900 | Optic nerve atrophy | Severity C (right eye) | R123 489 | R123 489 | R0 | R0 |
| | | Severity C (left eye) | R152 886 | R0 | R0 | R0 |
| Female, 54 years old, LIFE FUND: R400 000 | Complete blindness in one eye | Severity C | R28 125 | R14 063 | R14 063 | R0 |
| | | Category B | R150 000 | R75 000 | R75 000 | R75 000 |
| Male, 36 years old, LIFE FUND: R15 450 000 | Rheumatoid arthritis – response only to triple medication therapy | Severity C | R546 364 | R0 | R0 | R0 |
| | | Category C | R167 502 | R0 | R0 | R0 |
| Male, 34 years old, LIFE FUND: R2 138 262 | Open heart surgery | Severity C | R267 283 | R0 | R0 | R0 |
| Male, 35 years old, LIFE FUND: R1 700 000 | Depressed skull fracture – with brain laceration | Severity D | R90 000 | R0 | R0 | R0 |
| Female, 32 years old, LIFE FUND: R362 950 | Pulmonary hypertension | Severity A | R362 950 | R362 950 | R0 | R0 |
| Male, 42 years old, LIFE FUND: R789 750 | Cavernous sinus thrombosis | Severity C | R157 950 | R157 950 | R0 | R0 |
| Male, 2 years old | Eye enucleation affecting child | Severity B | R45 000 | R15 000 | R0 | R0 |
| Total for sample of 9 claims | | | R2 138 476 | R748 452 | R89 063 | R75 000 |

Discovery Life has an exemplary record with the Ombudsman

- The rest of the industry had 102 rulings of incompetence made against them. **Discovery Life had none.**
- Less than 0.5% of submitted claims were referred to the Ombudsman.
- Compared to the rest of the industry, Discovery Life had 65% more of its Ombudsman cases finalised within 30 days.
- Of the 30 Discovery Life Ombudsman cases, 18 were claims related, of which 16 have been resolved or ruled in Discovery's favour. We have agreed to review one of the other two cases based on additional information.

Declined claims

Total claims paid versus declined claims



We thoroughly assess all claims that we receive. Below is the breakdown of why 9% of the received claims were invalid:

| Reason for invalid claims | Percentage of declined claims |
|---|-------------------------------|
| Did not meet policy definitions | 86% |
| Non-disclosure | 8% |
| Specific exclusion / pre-existing condition | 2% |
| Client's premiums were in arrears, duplicate claim received, or the maximum amount was already paid out | 4% |

Three key considerations when choosing appropriate risk cover, as illustrated by our claims experience:

- Ensure that the payout is relevant to the need at claim stage**
 - Income Continuation Benefit** – 100% upgrade to pre-disability earnings when becoming permanently disabled
 - Severe Illness Benefit** – Whole body coverage facilitated through severity-based payouts and automatic cover for children and parents
 - Capital Disability Benefit** – Temporary protection on loss of income while permanence of disability is being established
 - Global Education Protector** – Indemnity protection of children's future education costs after suffering a life-changing event
 - Health Plan Protector** – Indemnity protection of your family's health contributions after suffering a life-changing event.
- Cover that ensures value even if you have a good bill of health**
 - PayBack Benefit** – Returning a portion of your premiums, depending on your individual level of health and wellness.
- Future insurability following a claim**
 - Minimum Protected FUND and multiple claims coverage** – Ensures continued coverage following a claim, especially for related conditions.