

How we create value

We help people grow their savings, protect what matters to them and invest for the future by providing practical financial solutions for people, communities and companies.





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Group strategy

To be the preferred lifetime Financial Wellness partner, with a reputation for innovation and trustworthiness.

We champion inclusivity, diversity and fairness and are proud of the benefit these bring. Our values-driven culture drives our strategy and operating model and helps us meet the needs of our stakeholders to deliver lifetime shared value.



MMI'S GROUP STRATEGY

Our strategy aims to generate superior shareholder returns through leading products, valuable distribution partnerships and excellent client experiences through employee brand ambassadorship.

These capabilities enable business and people from all walks of life to achieve their most important financial goals and life aspirations.



CLIENT ASPIRATIONS

We utilise the combined efforts of our client-facing brands Metropolitan and Momentum with Multiply, along with our specialist brands, to target specific sectors, thereby reaching more people, across a range of their life stage needs. We help people grow their savings, protect what matters to them and invest for the future and help companies care for and reward their employees. We provide practical financial solutions for people, communities and companies through our own advisers, independent brokers and new platforms. We aspire for our clients and intermediaries to experience MMI's client-facing brands as:

- **Understanding their needs.**
- **Interested in their wellbeing and success over their lifetime.**
- **Offering value for money.**
- **Providing easy-to-use products.**
- **Designing innovative, tailored solutions.**
- **Reliable and trustworthy.**



FINANCIAL ASPIRATIONS

Achieving our client aspirations supports the realisation of MMI's financial aspirations. Creating shareholder value is our primary financial aspiration, supported by earnings growth and growth in the value of new business. Long-term value creation is measured by MMI's return on embedded value.



MMI'S STRATEGY MAP

This guides what we do to implement our strategy. Each component of our strategy map has a corresponding balanced scorecard measure to track our progress with implementation. To deliver on our purpose and strategy, we have re-designed a simplified operating model focusing on empowerment and accountability.

MMI's three strategic focus areas are Client centricity, Growth and Excellence.



CLIENT CENTRICITY

We want to create superior client and intermediary experiences, while helping them achieve their financial goals and life aspirations. Our Multiply wellness and rewards programme plays an important role in providing outstanding experiences for our clients and encourages and rewards behaviours that drive holistic wellbeing, both financially and physically. This also increases the lifetime value of our clients, who consequently use more of MMI's products and remain clients for longer.



GROWTH

A critical strategic focus underpinned by three strategic objectives:

1 INCREASE THE VALUE OF EXISTING CLIENTS

with cross-selling: our Multiply wellness and rewards programme is a key initiative to advance this objective.

2 INCREASE THE CLIENT BASE

through channel growth, comprising of improving the productivity of our intermediaries, increasing the size of our face-to-face sales force, and of developing alternative distribution channels.

3 GROWTH THROUGH GEOGRAPHICAL DIVERSIFICATION

by creating value outside South Africa, in selected countries in Africa and in India.



EXCELLENCE

Our focus is on delivering superior and excellent experiences, as well as on efficiency in delivery.

ENABLERS

Realising MMI's client-centric strategy relies on four key enablers:

A world-class data analytics capability that enables the proactive creation of a superior client experience.

Flexible and modular systems that take advantage of ongoing technology advances.

A collaborative and client-centric culture that supports MMI's strategy.

Innovation as a way of business.

MMI'S VALUES



Accountability



Integrity



Teamwork



Diversity



Innovation



Excellence

To deliver on our purpose we have refined our strategy and adjusted the implementation approach.

MMI's operating model

Our operating model has been strategically reset with a focus on empowerment and accountability. The goal was to unleash the natural energy and commercial drive of each segment, through this reset. With this as its basis, MMI has completed a review of its operating model, following a detailed analysis and consultation with leadership across the group. Core principles were embedded at the outset of the process to guide our thinking and to ensure that the operating model:

- Encourages growth.
- Has a real and practical client focus.
- Clarifies roles and responsibilities.
- Empowers our segments with end-to-end accountability.

This updated model will drive a close partnership between Product Houses, Segments and Multiply.

Our operating model which has been reset, with a focus on empowerment and accountability, relies on continuous engagement with all our stakeholders.

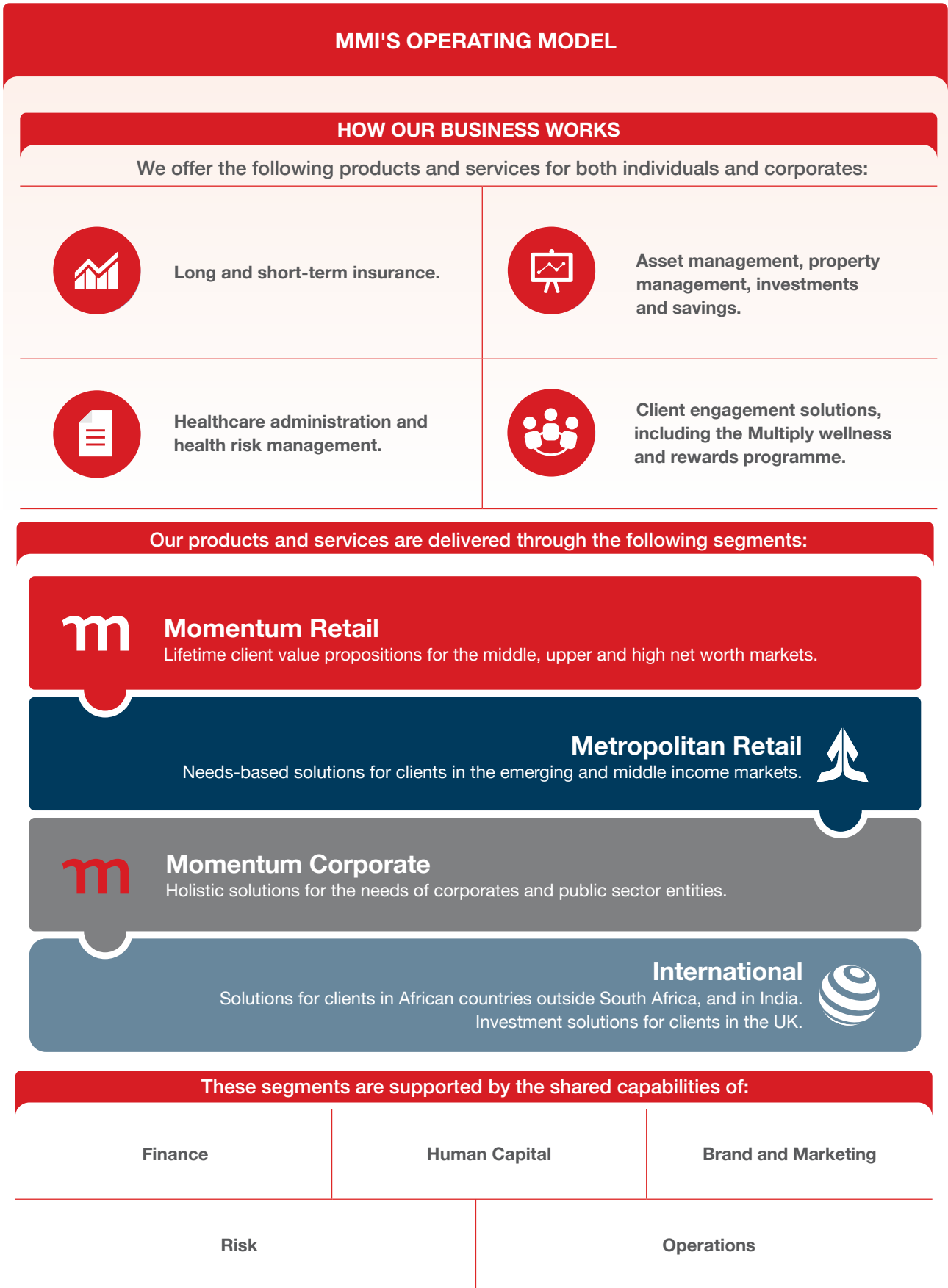
MMI's stakeholders

MMI understands the importance of engaging with our stakeholders in helping businesses and people from all walks of life to achieve their most important financial goals and life aspirations.

Governance, remuneration and risk management

Maintaining the highest standards of corporate practice and conduct, linking remuneration to performance, and embedding risk management into our culture, practices and business processes is the underpin for success of our business.

Operating model



Delivering value for our stakeholders

Financial outcomes

Profitable growth depends on our ability to deliver on our strategy and create value for all our stakeholders.

STAKEHOLDER	INTEREST	OUTCOME	REFERENCE
Shareholders	Earnings.	Core headline earnings of R2 809 million.	<ul style="list-style-type: none"> Finance Director's report – page 36. Performance at a glance – page 16.
Clients	Achieving their financial goals and life aspirations.	Paid insurance benefits and claims of R27 232 million.	<ul style="list-style-type: none"> Financial statements – page 120. Segment reviews – starting on page 44.
Employees	Providing career opportunities, enhancing employee wellness and helping them achieve their financial goals.	<ul style="list-style-type: none"> 16 935 employees. Skills development spend of R153 million. Paid employee benefits of R5 457 million. 	<ul style="list-style-type: none"> Performance at a glance – page 16. Financial statements – page 120.
Communities	Creating lasting benefits for the communities in which we operate by addressing barriers to achievement of their financial goals and life aspirations.	Corporate social investment spend of >R25 million.	Creating social and environmental value – page 70.
Regulators and government	Compliance with all regulatory requirements and providing industry input to new legislation.	<ul style="list-style-type: none"> Broad-based black economic empowerment (B-BBEE) Level 3 contributor. Income tax paid of R3 039 million. 	<ul style="list-style-type: none"> Transformation review – page 66. Financial statements – page 120.
Suppliers	Fair and ethical dealings that contribute to employment and growth in the economy. Offering enterprise and supplier development funding.	<ul style="list-style-type: none"> B-BBEE Level 3 contributor. B-BBEE trust established to increase enterprise and supplier development contribution. 	Transformation review – page 66.
Intermediaries and brokers	Formal employment with appropriate benefits and career development opportunities. Offering a competitive suite of products.	Sales remuneration paid of R5 796 million.	<ul style="list-style-type: none"> Financial statements – page 120. Transformation review – page 66.

Group profit drivers

The main determinants underlying MMI's 2018 financial outcomes (earnings and return on embedded value) are set out below. Earnings and value drivers specific to segments and lines of business are covered in more detail under the segment reviews starting on page 44.

EARNINGS AND/OR VALUE DRIVERS	
New business volumes	<p>New premium receipts on long-term insurance business (life insurance and savings/investment) remained, on aggregate, at nearly the same level as the previous financial year. Modest growth in South Africa (SA) retail and corporate segments (both single and recurring premiums) was partially negated by a slight decline in new business written outside SA. New premium income from LISP business also declined from the prior year (in both SA and the UK). In general, lower-margin savings and investment business enjoyed stronger new business growth than higher-margin risk business.</p> <p>Growth in new short-term insurance premiums was very satisfactory, with new premiums from Momentum Short-term Insurance (MSTI) increasing by 39% from the previous financial year and new fee receipts from cell captives (Guardrisk) growing by more than 30% year-on-year. (These relate to new business, not the total book). The increase in MSTI new premiums was particularly pleasing, in light of a commensurate improvement in claims ratio from 73% in F2017 to 67% in F2018.</p> <p>In SA, membership of health administration business was stable year-on-year, with declines from corporate schemes (mainly the loss of the SAB scheme), counterbalanced by growth in the Momentum Health open scheme and by strong growth in health products aimed at the lower-income market segment.</p> <p>Health insurance business in India (joint venture with Aditya Birla Capital) is progressing according to plan. Over the financial year, the size of the book (in terms of number of lives covered) more than doubled last year to more than a million as at 30 June 2018. Compared to schemes in South Africa, this is substantial, although it should be noted that average premiums in India are lower than in SA. Furthermore, good progress has been made in tilting the business mix more towards higher-margin retail products, as opposed to lower-margin corporate schemes. The proportion of retail business on the books increased from 3% at 1 July 2017, to 26% at 30 June 2018.</p>
Value of new business (VNB)	<p>MMI's value of new business written during F2018 (excluding short-term insurance, cell captives and off-balance sheet business) was substantially lower than the VNB from new business written during F2017. The decline follows a sharp contraction in margins from the SA retail and international segments, coupled with modest growth in volumes.</p> <p>In the SA retail environment, the VNB from Metropolitan Retail was negatively impacted by a more cautious view on future persistency, whereas the VNB from Momentum Retail was characterised by a substantial decline in margins from structured and LISP savings products, following changes to pricing and expense allocations on these product lines. Outside SA, new business originating from Namibia suffered a substantial decline in VNB, due to a reduction in volumes coupled with an increase in new business expenses.</p> <p>In partial mitigation to the contraction in VNB from the SA retail and international segments, the VNB from Momentum Corporate exhibited a healthy increase over the previous year. New business margins in the corporate segment improved, following an increased focus on the quality of new business, while volumes remained intact.</p>

EARNINGS AND/OR VALUE DRIVERS

Persistence (client retention)	<p>As far as retail business is concerned, the Momentum Retail book experienced persistency in line with expectations, with some reduction in terminations from investment business, following a change to more competitive pricing. Metropolitan Retail, on the other hand, continued to experience poor early-duration persistency on its funeral book, which led to revised valuation assumptions and a lower value of new business. Higher first-year terminations were especially evident where debit orders (as opposed to stop orders) are used as method of payment.</p> <p>Momentum Corporate also experienced an increase in terminations on its risk book. However, here the impact on profitability is expected to be positive, as it was mainly unprofitable schemes that elected to terminate their coverage, rather than pay increased premiums in line with their risk profiles.</p>
Claims	<p>Both retail operations (Momentum and Metropolitan) experienced positive underwriting results, with claims incurred over the reporting period being lower than expected according to actuarial assumptions.</p> <p>Within Momentum Corporate, underwriting experience on disability income products showed a marked improvement over the previous two financial years, following a re-rating of this class of business. The remaining (moderate) underwriting loss from the disability income book was offset multiple times by positive underwriting results from group life and funeral business.</p> <p>Underwriting experience within Momentum Short-term Insurance continued to improve, with the claims ratio improving from 73% in F2017 to 67% during F2018, despite heavy claims from catastrophic weather events during the last quarter of 2017.</p>
Expense management	<p>On aggregate for MMI, management expenses incurred during F2018 (excluding sales remuneration) remained almost unchanged from F2017. In real terms, compared to CPI inflation over the period, this represents a saving of about 4% from the prior year.</p>
Investment markets, economic conditions and exchange rates	<p>MMI's headline earnings and return on embedded value are strongly correlated to investment market conditions – particularly long-term interest rates (negatively correlated) and equity market returns (positive correlation).</p> <p>While the strong local equity market performance during the first half of the F2018 financial year was partially negated by lackluster returns over the second half, the total return from equity and bonds over the 12 months to 30 June 2018 was sufficient, as to not result in any meaningful investment profits or losses arising from the long-term insurance book over the period.</p> <p>Assets underlying MMI's shareholder capital portfolio are conservatively invested, primarily in cash or near-cash instruments, plus some property exposure. The shareholder portfolio is therefore largely immunised from equity market fluctuations. However, it could be noted that investment returns achieved from shareholder assets during F2018 have been somewhat lower than during F2017, due to some higher-yielding instruments having reached maturity and the proceeds having been reinvested at lower yields during the period.</p>

New Initiatives

As a strategic enabler, innovation is core to our vision and is one of our values. We follow a three-pronged approach to drive innovation across MMI, comprising our internal culture, adapting our way of work to be more agile and MMI's externally-focused disruptive innovation initiatives.

Agile way of work

We are in the process of transforming our way of work to be more agile. This entails empowered cross-functional teams rapidly solving problems within a defined sphere of influence. Continuous refinement and testing of solutions with clients and intermediaries further enable decisions made based on sound data as well as internally produced assumptions. We actively seek technology tools that can be used and potential partnerships with external entities that can help us to solve problems. We do not believe that "one size fits all" applies across the group and will ensure fit for purpose changes in different segments.

During 2018, we experimented with this agile way of work in numerous areas across the business. These experiments have proved to us that the benefits of agile are material and attainable. Innovative solutions, meeting real client needs, using new technology tools have been developed in shorter timeframes. In addition, employees in these teams have experienced greater motivation, creativity and personal growth.

Momentum Retail piloted a 24 week agile project to make the life insurance onboarding journey easier for our financial advisers and our clients. This has led to a significantly faster, paperless onboarding process decreasing the onboarding time for new business by a day and achieving a 55% adoption rate among Momentum Financial Planners of a new cross-platform quotation system. This and other enhancements will be rolled out to the adviser community before the end of the 2018 calendar year.

Exponential Ventures

MMI's disruptive innovation initiative is called Exponential Ventures. This business focuses on transformational innovation opportunities in the areas of fintech and insurtech. We believe the technology advances that have disrupted many industries will have a significant impact on financial services.

Exponential Ventures is working to head off this threat by turning potentially disruptive technologies into opportunities for growth over the long term. This includes working closely with startups where relevant.

Through our venture capital partners in the UK, Anthemis, we have invested in a number of startups that are leveraging the transformative power of digital financial services. We have also established a venture developer partnership with Anthemis to build businesses at the forefront of Financial Wellness over the next few years. Similar investments have been made in South Africa, working with our local venture capital partner, 4Di Capital.

In the last year, MMI has made strides with key value propositions as part of the Exponential Ventures initiatives.

Kimi – Momentum's new mobile health engagement solution

As the world is increasingly exposed to the Internet of Things (IoT), insurers are faced with interpreting new and very large datasets and understanding the impact on their client offerings. Kimi, our new mobile health engagement solution, has been designed and developed to consider new deep physiological datasets curated from wearable sensors in cooperation with technology startup LifeQ.

Artificial intelligence is at the heart of Kimi. Through LifeQ's data streams and co-developed (LifeQ and Kimi/MMI) health scores, Kimi can start to develop a unique and individual profile and interaction with individuals. Our scores focus on three key health elements, namely heart health, sleep health and activity/motion health. Each of these elements create a predictive basis on which to provide embedded life cover to clients for the duration of a Kimi contract. The impact of sleep and sedentary time on overall individual health, and the scores of these two features have overarching health impacts and high correlations to many diseases.

In order to bridge the gap between the various methods of current data collection, Kimi also offers a freemium version to clients based on both subjective and rudimentary mobile measures, helping to educate and transition clients into a wearable device future.

TaxTim and Momentum/Multiply Integration

Insurers in South Africa are looking for new and progressive ways to attract the increasing number of digital natives and millennials. TaxTim, a digital tax solutions startup, and Momentum/Multiply have designed a proposition which allows clients to submit their tax submissions for free, earn Multiply points, and obtain a tax score which they can share with their adviser. These provisions provide a way of consolidating and reutilising client data for their benefit whilst simplifying the financial needs analysis process for advisers.

Root Insurance

Root Insurance, which was launched in April 2018, is an exciting new technology platform API that enables software developers to rapidly prototype, launch and manage legally compliant digital insurance products into South Africa's market on the Guardrisk insurance licence.

Targeting software developers, the platform is the first insurtech of its kind in South Africa and one of only a handful of such platforms globally. It gives developers the building blocks to create and launch a fully compliant insurance product in a matter of days, using only code. The platform reduces costs and time to market drastically, it also supports the administration of the insurance policies from issuing these policies to collecting premiums and handling claims.

The improved efficiency made possible by Root Insurance's model makes it viable to address small market niches and to deliver more value for money on low-premium products. The platform is being targeted at:

- Non-insurance companies or brands that have significant customer bases and/or powerful routes to market.
- Insurtech start-up companies that have limited available capital and non-existent or limited client bases.
- Incumbents in the insurance sector, either on the product side or the distribution side, who can benefit from the innovation and agility that the platform makes possible.
- Root Insurance is a developer-focused platform that has the potential of disrupting the insurance industry as it collapses the barriers that software innovators face in entering the industry.

aYo – MMI's microinsurance joint venture with MTN

aYo is the 50/50 microinsurance joint venture launched in September 2016 between MMI Holdings and MTN Group. Utilising the resources and capabilities that MMI and MTN share allows aYo to make insurance relevant, accessible and easy to use in Africa.

The microinsurer, which began its rollout in Uganda in January 2017 provides pre-paid MTN customers with free and paid-for life and/or hospital cover each time they load MTN airtime.

In addition to Uganda where MTN has 11 million subscribers, aYo also operates in Ghana where MTN has 17 million subscribers providing a significant foundation for future growth. The venture exceeded the one million clients enrolled milestone in Uganda in June 2018.

MTN has a presence in 22 countries in Africa and the Middle East with over 217 million subscribers, making it Africa's largest mobile operator network. aYo's expansion plan over 2018/9 will see the business moving into several new countries with microinsurance products that are relevant, accessible and easy to use.

aYo has made massive strides in helping to create a future where more people in Africa use insurance, through raising awareness of the benefits of life and hospitalisation cover.