

WOOLWORTHS

Revising Group Risk Benefit Strategies

October 2010



What do we want to cover today?

- Employee overview
- Strategic intent
- Current risk benefits & opportunities
- Self Insurance
- Questions – interactive keypad

Employee Overview - the average employee

	Stores (± 15 000)	Head office (± 3 000)
Gender	Female	Female
Average age	30 years old	34 years old
Language	English as second language	Business English
Transport	Public Transport	Many take public transport
Shop for food at	Shoprite and Woolies waste	Woolies, Woolies waste and Pick 'n Pay

gender and race

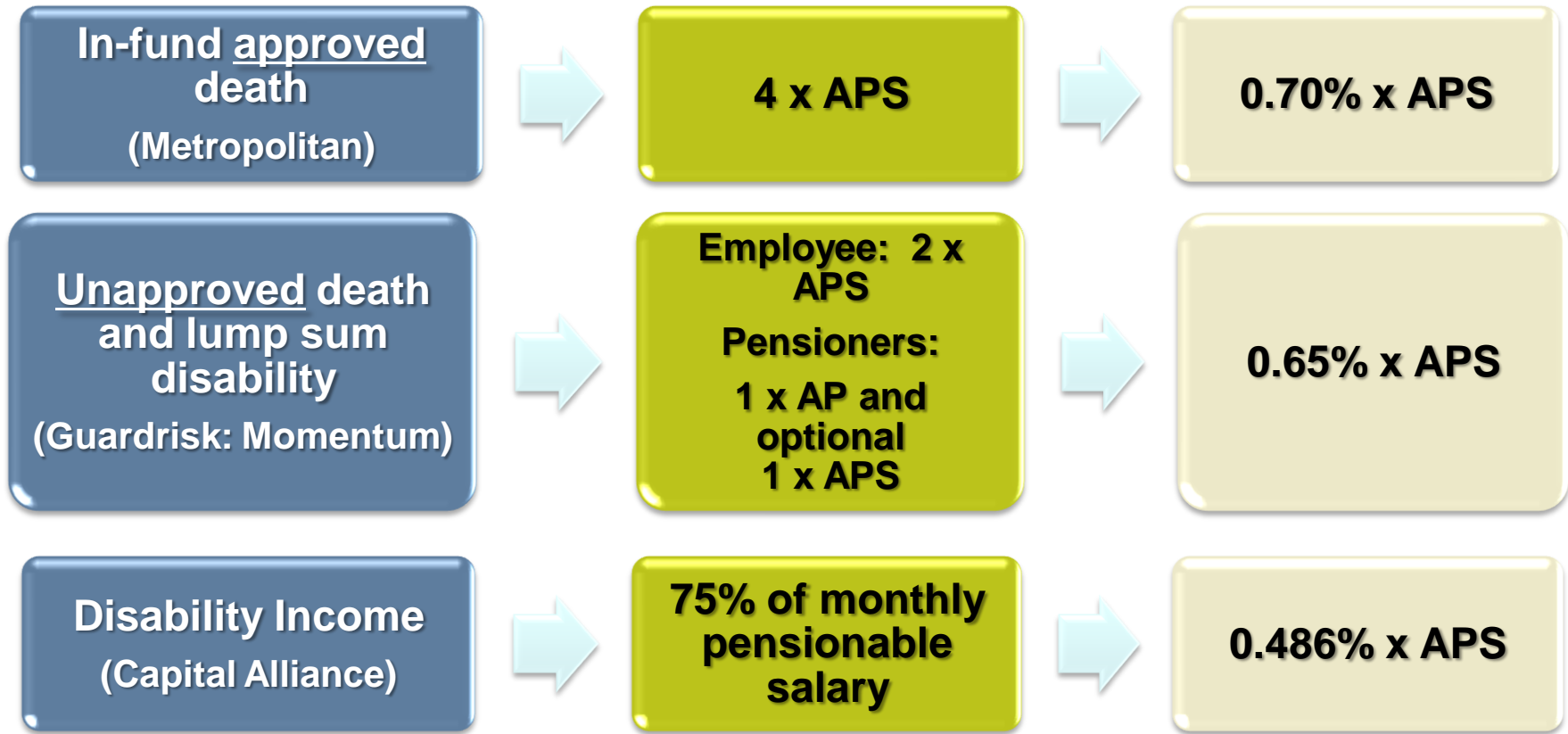
39% of our internal audience is female African
Followed by female coloured (20%)
And then male black African (18%)



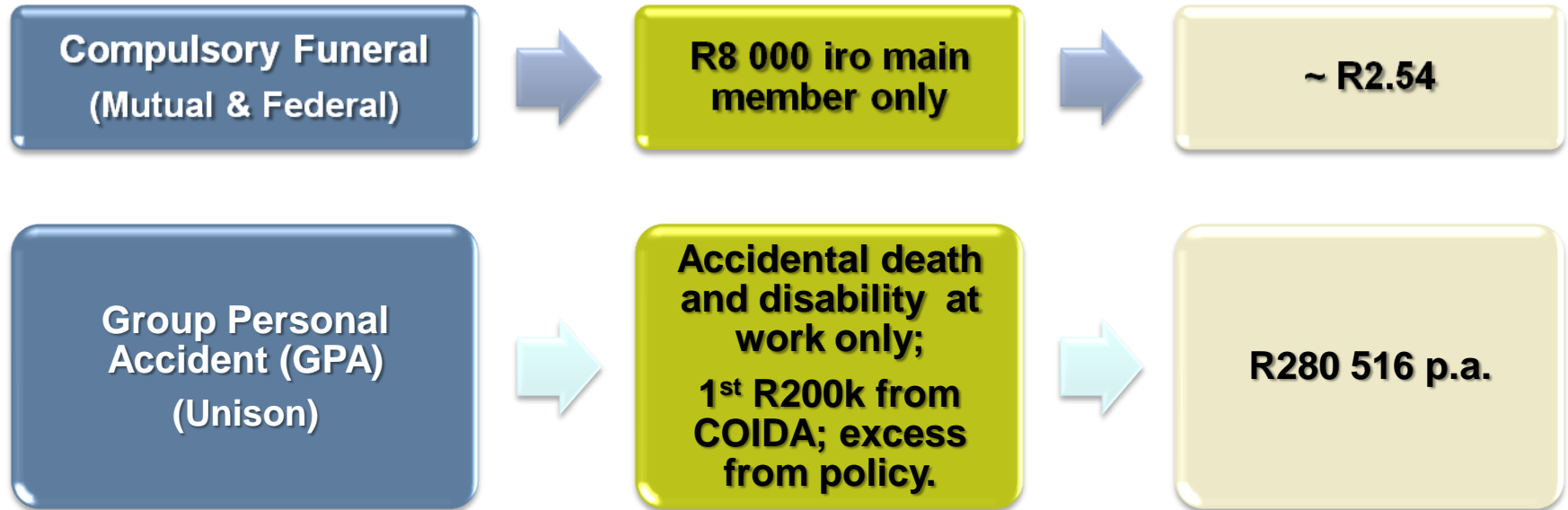
Strategic Intent

- To position risk benefits as part of a wellness strategy to offer employees benefits in line with a modern generation and the Woolies audience.
- Improve employment value proposition
- Benefits include:
 - Risk (death, GPA, disability & funeral) - phase 1
 - Financial and retirement planning – phase 2
 - EAP - phase 2
 - HIV & Chronic disease management - Phase 2 & 3
 - Other (dread disease, spouses cover, vitality, etc) – phase 2 & 3

Current risk benefit structure



Part of this premium is subsidised via a promoter policy through Guardrisk



Findings – phase 1

Current

Death

Offer to employees include compulsory benefits (quantum)

Disability

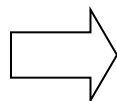
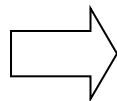
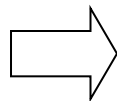
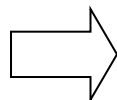
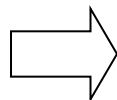
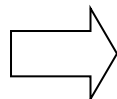
Current waiting period 6 months

No educational cover for children of deceased

Gap between TCoE and pensionable salary

Guardrisk Cell captive

Funeral Cover



Opportunities

Death

Flexible arrangement (life stages) waiting for SARS ruling on taxation

Disability

Waiting period 3 months

Introduction of educational benefit

Address gap between TCoE and pensionable salary

Better utilisation of cell captive (80/20% reinsurance approach)

Change insurer (Benefit increases, same costs)

Proposed Changes

Monthly income replacement benefit (Disability)

- Change the waiting period from 6 months to 3 months.
- Change risk salary from pensionable to TCOE.
- The cost is deducted from the employer contribution to the retirement Fund plus cell captive funded.

Education benefit:

- Consideration is to review a change to Discovery Life, to retain the same cover (unapproved) as is currently in place, but with the incorporation of a *global education protection*.
- These premiums are paid to the cell.

Proposed Changes

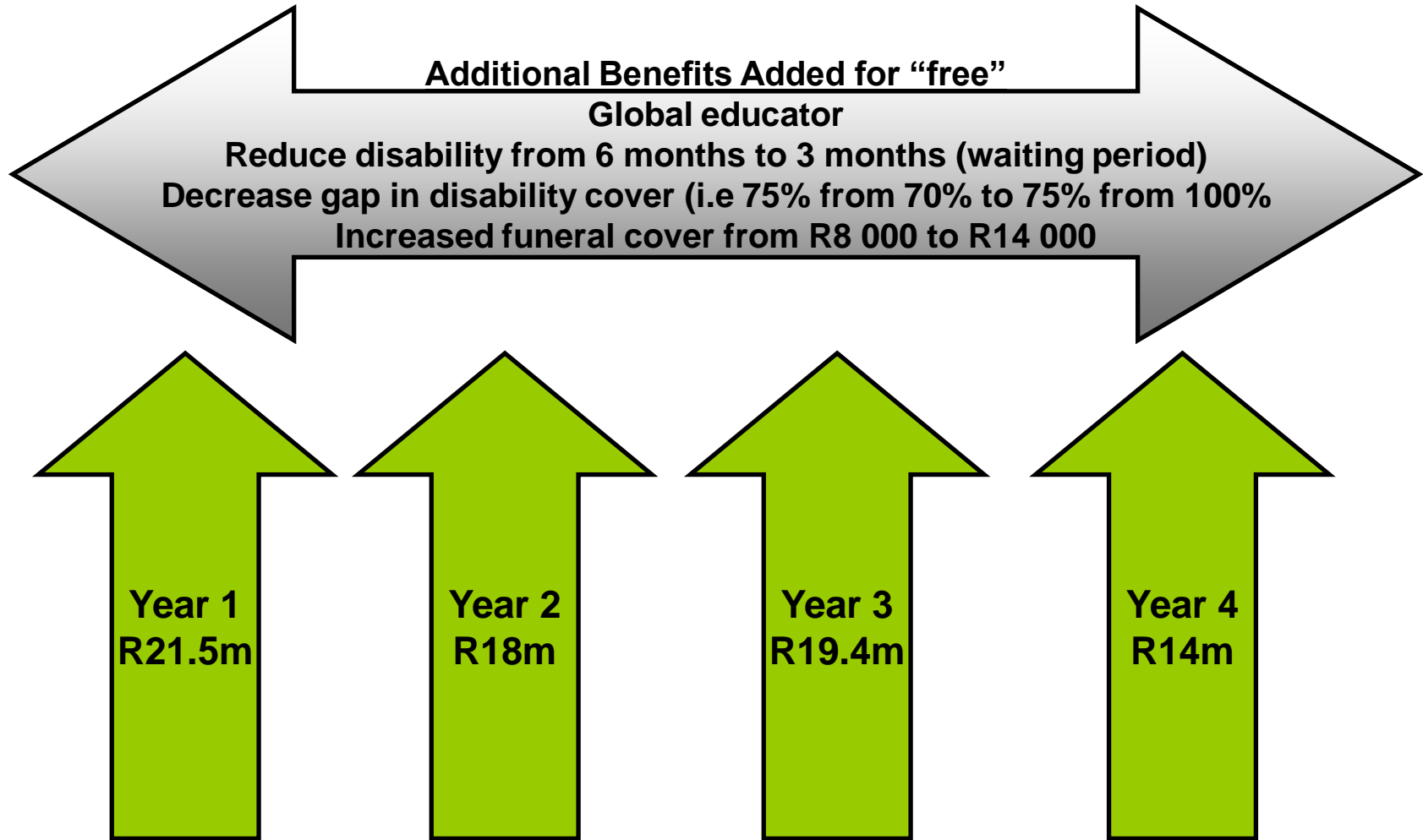
Compulsory funeral benefit

- To be increased from R8 000 to R14 000.
- Cost is currently borne by the cell captive.

Self Insurance:

- Consolidate insurance of approved and unapproved death cover via cell captive.
- Self insure portion (20%) of risk
- Participate in underwriting profits
- Retention of investment income
- Accumulation of reserves for benefit enhancements and/or premium holidays

Cell captive cash flow illustration



Thank You

Questions – through interactive keypad

1. Do you offer group risk benefits to your employees? Yes / No

Are the group risk benefit compulsory or voluntary? Compulsory / Voluntary

Do you provide these benefits through a self insurance (cell captive) or traditional (company pays insurer directly or through an administrator) arrangement? Self Insurance / Cell Captive

Questions – through interactive keypad

1. If the group risk benefits are funded from a self insurance arrangement what % of the contributions are placed on risk?

Input a percentage

5. In addition to your group risk benefits what other benefits do you fund from the cell captive arrangement?

Education
Spouses cover
Motor vehicle insurance
Wellness (HIV, EAP, etc)
Dread disease cover
other