

18th Current Issues Seminar on Health Care Insurance
Hotel Sea Princess, Juhu Tara Road, Juhu, Mumbai
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Lifetime Value: Designing for Quality

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What is it?

Lifetime value helps insurers understand the long-term value of a customer and optimise product design and pricing accordingly. Before we dive into the calculations, there are a few important principles that underpin the design of our lifetime value customer value proposition.



Focus on quantity

It is a unifying product package that aims to maximise the individual's physical wellness and resilience (quantity of health) over the beneficiary's life time.



Focus on quality

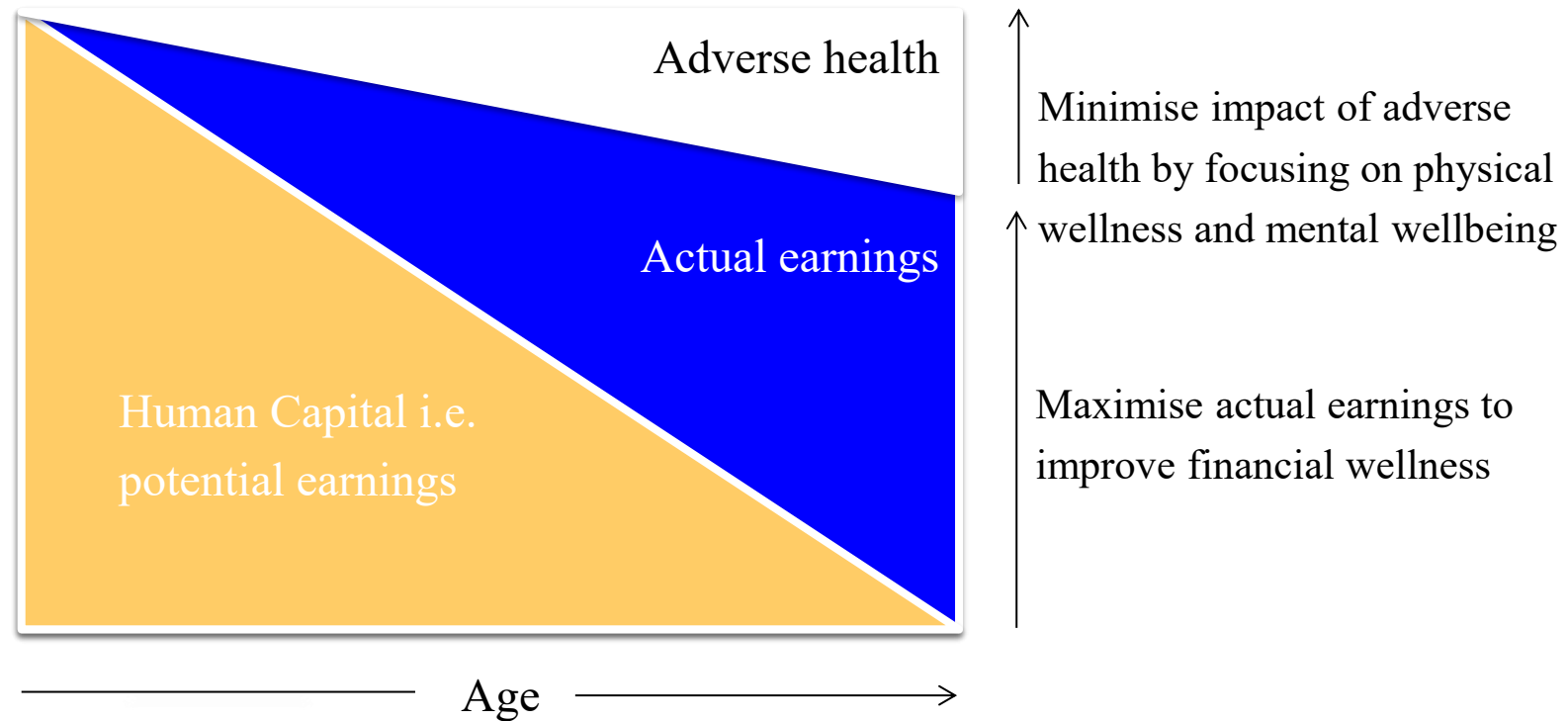
This links into the overarching strategy of promoting physical and financial wellness as a healthy person is fundamentally employable and a lower risk to the fund(s).

Why does it matter?



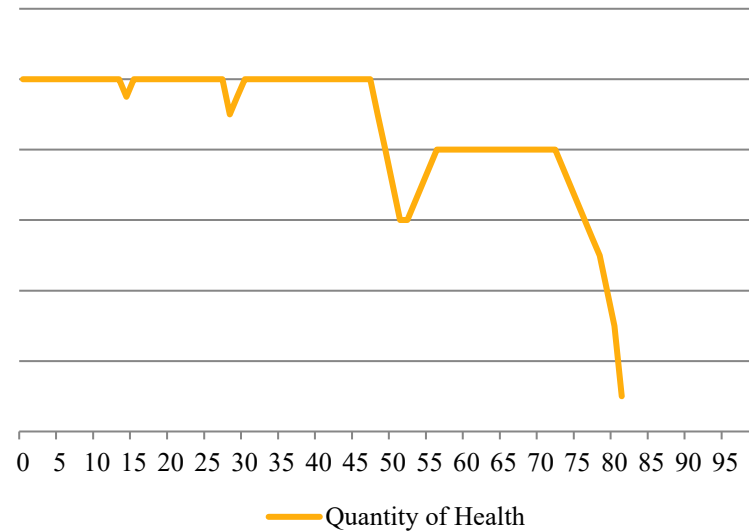
- **Shifts strategic focus.** Moves from short-term cost containment to long-term member health, satisfaction, and profitability.
- **Enables targeted member segmentation.** Allows for tailored interventions - proactive management for high-risk members and wellness nurturing for low-risk members.
- **Drives investment and prioritisation.** Informs where to invest resources for the greatest long-term return on initiatives.
- **Aligns with modern metrics.** Directly supports value-based care goals, focusing on outcomes and satisfaction for better compliance and competitive positioning.
- **Creates a competitive advantage.** Enables better pricing, benefits, and experiences to attract and retain more members and partners.
- **Fuels innovation.** Supports the development of new product designs and advanced care delivery models.

Designing for quality



If the impact of **adverse health events** is minimised over time, then higher levels of actual income can be generated, and the individual's financial wellness will improve.

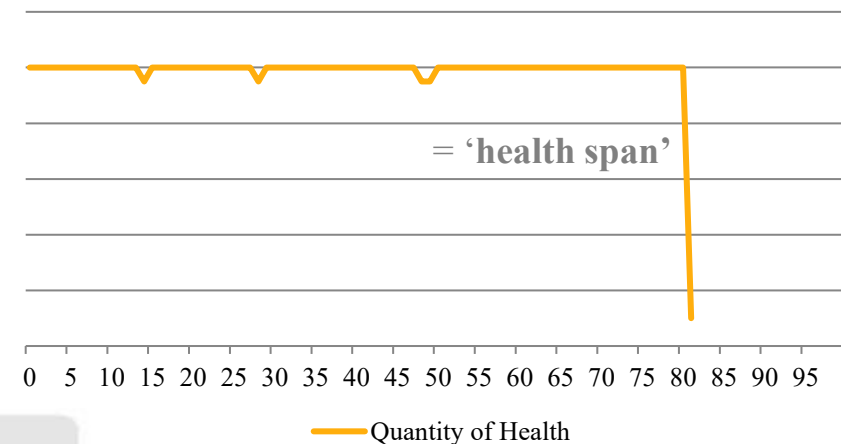
The individual health journey



The typical consumer's health profile deteriorates as he/she ages.

Major medical events detract from the consumer's quality of health.

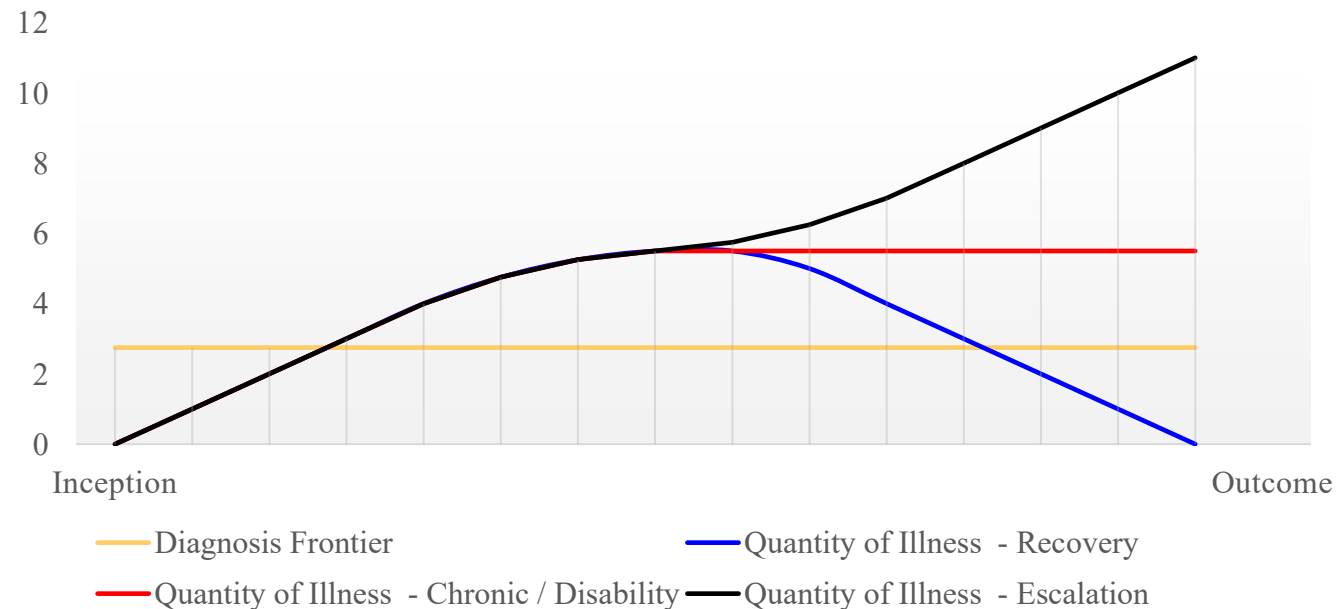
- ▶ The Lifetime Value proposition focuses on maximising the individual's physical wellness and resilience (**quantity of health**) over his/her lifetime.
- ▶ This promotes **quality of life** of the consumer and improves profitability of insurance products.



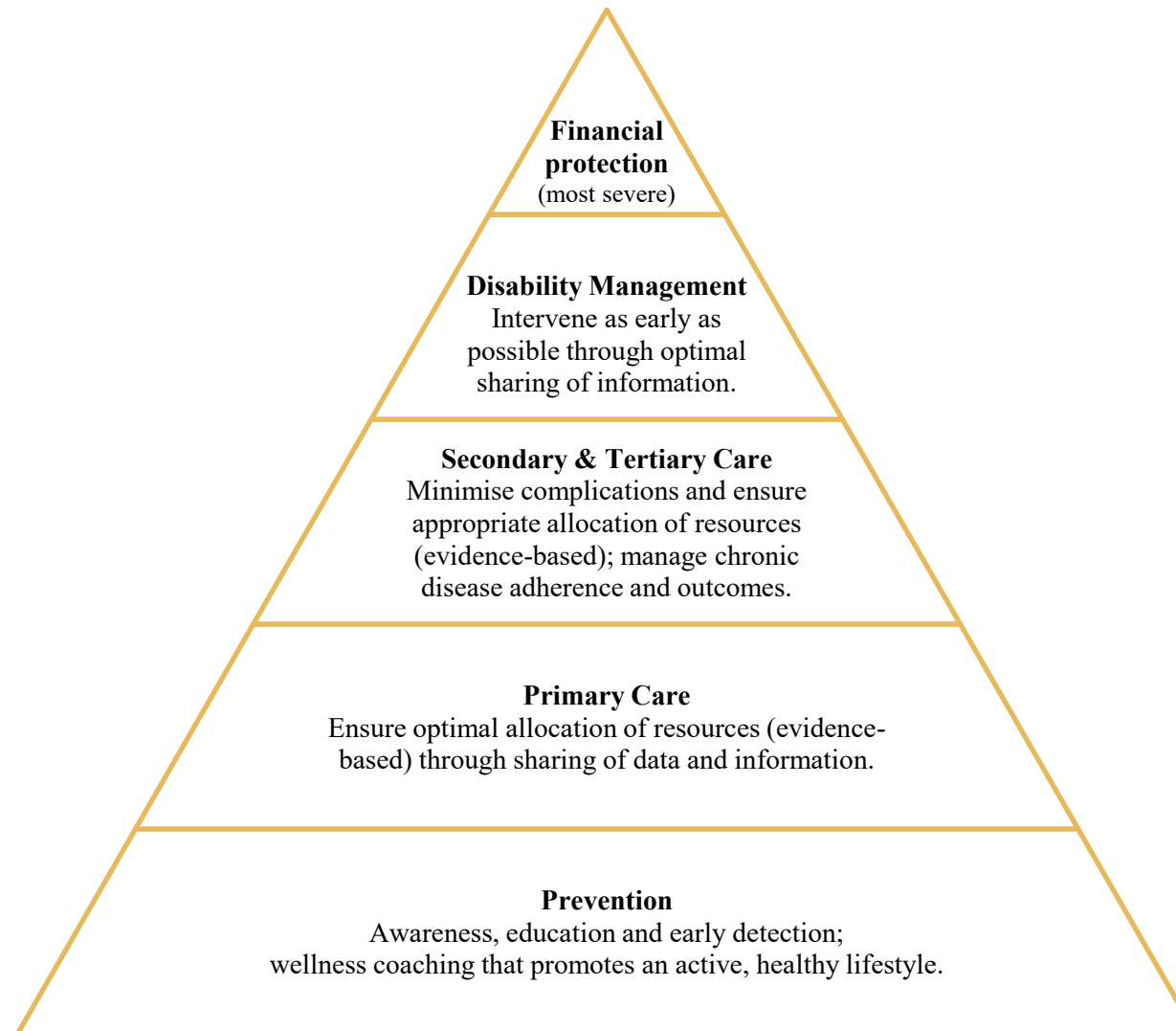
Maximising quantity

To maximise quantity of health, we need to achieve the following:

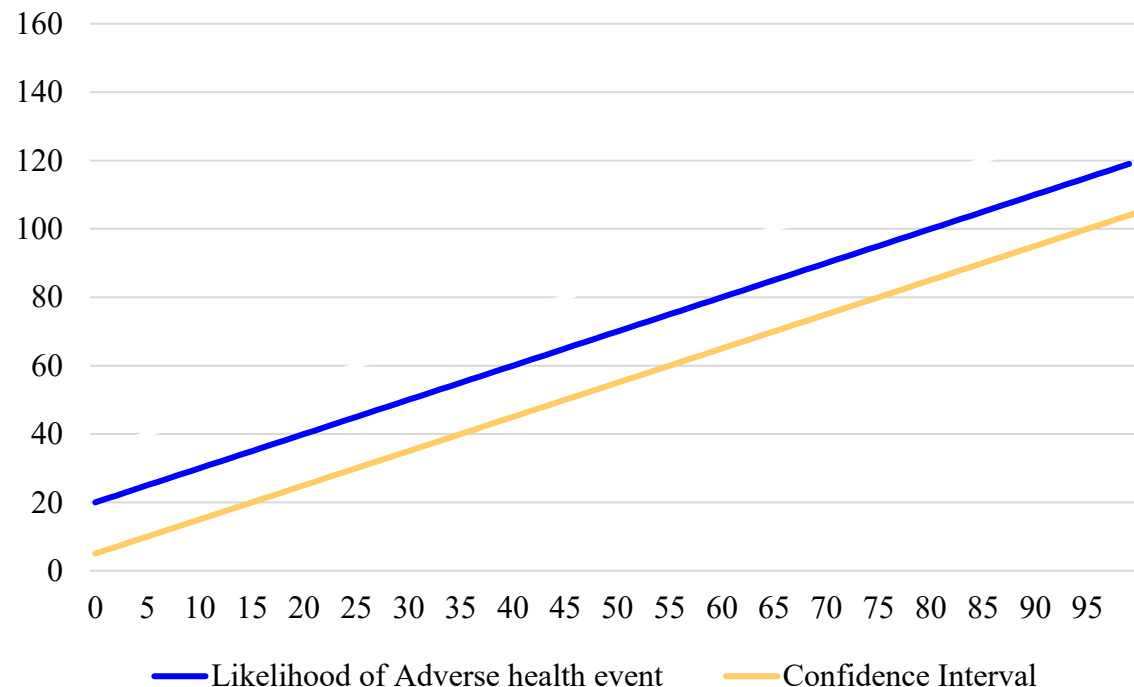
- Prevent some adverse health events - *lower frequency*
- Diagnose adverse health events earlier - *lower diagnosis frontier*
- Shorten the duration of adverse events - *lower severity*
- Reduce range of outcomes - *less chronic/disability/death*
- Provide financial protection - *manage severe negative impact*



Managing adverse health events

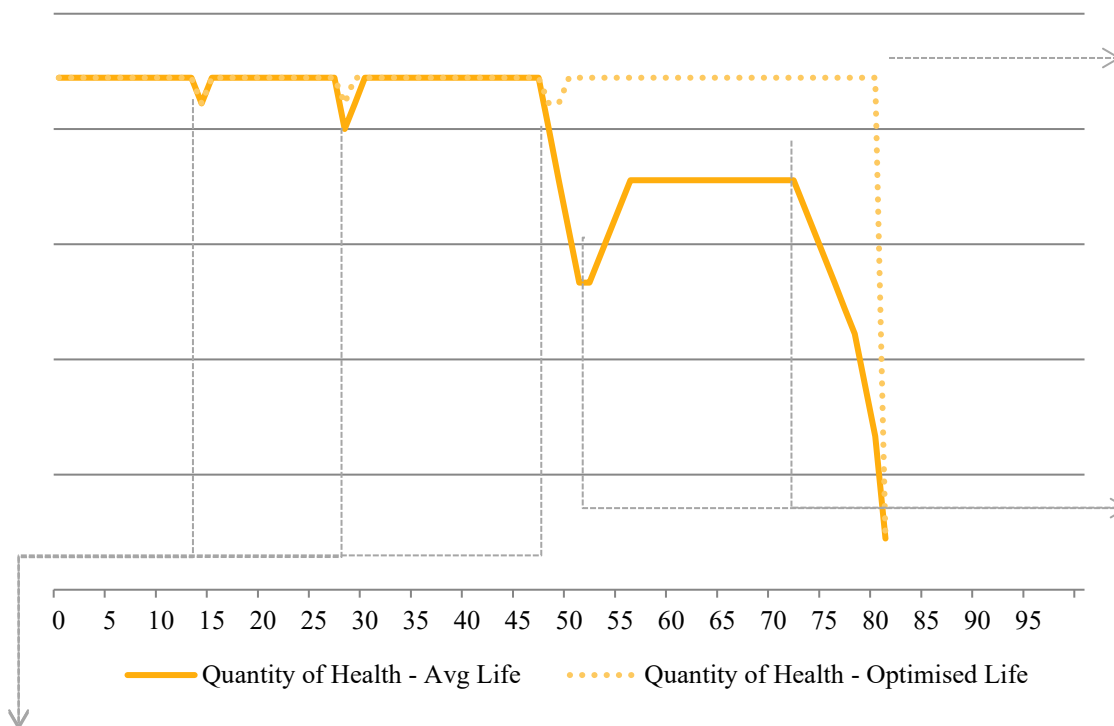


Focus on prevention



- The need for health risk screening increases with age e.g., provide more frequent general physical check-ups with older age.
- For immunisations, appropriate ages are dictated by clinical best practice; and for mental health, high-risk individuals can be identified with population surveys.

Practical application



Drive of greater physical wellness and resilience through utilisation on product elements like preventative screening, activity-based rewards, incentivised wellness utilisation points, plus tailored rewards, and long-term savings.

Financial protection provided through product elements like GHI + Life, Disability, Critical Illness insurance & management (plus tailored long-term savings).

Earlier diagnosis & intervention promoted through product elements like telehealth, preventative screening benefits, disease compliance-based rewards e.g. activity-based rewards, incentivised wellness points utilisation, and improved data sharing across disease and disability management programmes (plus tailored health insurance, short term insurance & short-medium term savings links).

Designing for quality

What does it entail?



Activity based incentives

Incentivised wellness programs include activity tracking, screenings, nutrition, and mental health support to promote health.



Behavioural economics

Nudging and reward systems are used to increase member engagement effectively.



Success factors

Personalisation, accessibility, and continuous monitoring and feedback loops drive wellness program success.



Program evaluation

Design actuaries must model uptake, engagement, and risk reduction to assess program effectiveness.

Design considerations



Tiered loyalty benefits

Implement tiered benefits to reward and motivate sustained member loyalty over time.



Dynamic wellness pricing

Use dynamic pricing models that adjust based on members' wellness participation and health behaviours.



Personalised care plans

Design personalised care plans that adapt to individual member health needs and preferences.



Collaborative forecasting

Actuaries must collaborate with data scientists and product managers to align assumptions with real-world outcomes.



Variation by segment needs

- *Individuals*

Level of needs

Income dictates the level of need met, with affordability limiting options for lower-income groups.

Following Maslow's principle, **consumers prioritise** meeting the most **basic healthcare needs first**.

This often **leads to** the selection of cheaper providers or technologies with **lower levels of access**.

Optimisation requirement

Middle age brings dependents (spouse, children), **placing family welfare at the centre of financial decisions**.

The wide range of competing family needs **demand**s **sophisticated solutions** to prioritise and optimise coverage.

Variation by segment needs

- *Groups*



For groups, physical wellness incentives should **link to productivity** in employer customer value proposition design.



Group-level preferential terms that benefit the employer or its employees can be offered through a **corporate wellness offering**.



Individual products are to be substituted for group products in **packaging** e.g. Group benefits vs. Life cover.



Variation of needs by employer size and industry needs to be incorporated, for e.g. preventative care, Occ Health.

Population health

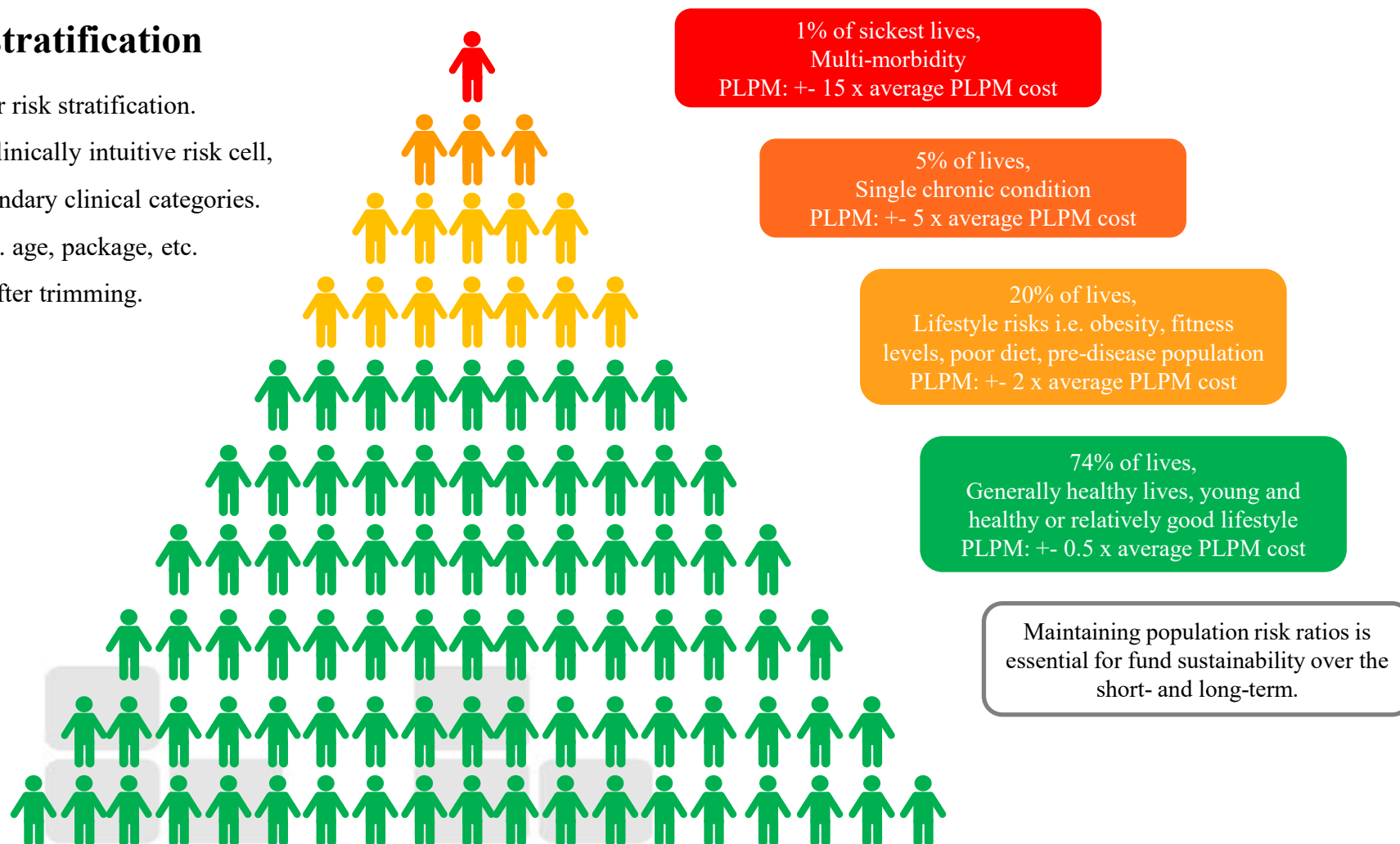
Population risk stratification

Used for risk adjustment or risk stratification.

Assign beneficiaries to a clinically intuitive risk cell,
based on primary and secondary clinical categories.

Consider demographics i.e. age, package, etc.

R-squared values $\pm 64\%$ after trimming.



Global case studies



Momentum Wellness

- Launched in 2015, Momentum Wellness is a digitally-enabled employee assistance and wellness solution.
- Offering personalised wellness journeys across physical, emotional, and financial wellbeing.
- Tools like our Effective Employee Index help employers quantify productivity loss.
- Employers report reduced absenteeism and higher engagement.
- Corporate clients benefit from group-level risk profiling.
- Data supports predictive modeling for future claims and productivity.



Momentum Multiply

- Members earn points for activities like gym visits, health screenings, and daily HRV tracking.
- Rewards include discounts on flights, leisure goods, and groceries.
- Up to 75% reduction in gym fees and 30% off flights for engaged members.
- We experience lower claims costs and higher member retention among Multiply participants.
- Multiply members show improved biometric health indicators over time.
- Health Risk Assessment and engagement scores are used in our clinical risk adjustment models.



Health4Me + More4Me

- Momentum is expanding Health4Me into underserved communities, focusing on affordability and accessibility.
- Partnering with SMEs to provide broader access to preventive and primary care.
- It offers culturally sensitive engagement and simplified More4Me rewards, including airtime, data, shopping vouchers, and the opportunity to reduce public healthcare burden and improve outcomes.
- New risk pools require adjusted pricing models.
- Long-term LTV modeling is critical for sustainability.

Enabling value

Enabling data-driven decisions

- **Customer segmentation and targeting**
 - Momentum uses LTV models to segment members based on engagement, health risk, and profitability.
 - High-LTV members are prioritised for retention strategies, while low-LTV segments are targeted with tailored onboarding and wellness nudges.
- **Product design and pricing**
 - LTV insights inform dynamic pricing models that reward healthy behaviour (e.g., Multiply points).
 - Products are designed to maximise long-term engagement, not just short-term profitability.
- **Marketing and acquisition**
 - Marketing spend is optimised by focusing on channels that attract high-LTV members.
 - We use predictive analytics to identify which acquisition strategies yield the most valuable long-term customers.

Optimising resource allocation

- **Wellness program investment**
 - Momentum allocates resources to wellness initiatives based on LTV projections.
 - Members who engage with Multiply show lower claims costs, justifying continued investment in incentives.
- **Retention vs. acquisition budgeting**
 - LTV analysis helps balance spend between retaining existing members and acquiring new ones.
 - For example, Momentum's corporate wellness program targets corporate clients with high retention potential, optimising B2B resource allocation
- **Claims management and risk adjustment**
 - Predictive LTV models help forecast future claims, allowing for better provisioning and reserve planning.
 - Resources are directed toward early interventions for members with declining health trajectories.

Contribution to business growth

- **Improved member retention**
 - We can demonstrate higher retention rates among Multiply-engaged members, directly boosting LTV.
 - Loyalty rewards and personalised engagement extend member lifecycles.
- **Revenue expansion**
 - LTV modeling supports cross-selling and upselling strategies (e.g., adding gap cover or life insurance).
 - Momentum uses behavioural data to identify members likely to purchase additional products.
- **Strategic planning**
 - LTV is a core metric in long-term strategic planning, guiding decisions on product innovation, partnerships, and digital transformation.
 - Momentum's expansion into underserved affordable care markets is informed by LTV projections and sustainability modeling.

Global case studies



Insurer A

A regional US insurer used lifetime value modeling to redesign pricing strategies based on data analysis. The model included incentives for early engagement and preventive care to boost retention.

- Member retention increased by 12% due to redesigned pricing and engagement strategies.
- Claims costs decreased as member health outcomes improved through engagement.



Insurer B

Integrating wellness incentives in product design adds actuarial value and enhances outcomes.

- Pricing models were updated to reflect lower risk, improving insurer profitability.
- The fitness rewards program achieved a 65% engagement rate among targeted members over two years.
- Claims related to chronic conditions decreased by 18% due to increased member activity.

Implementation considerations



Single entry

Identify all client product holding info with one card / biometric reading / website or app entry to avoid duplication, and improve relevance and availability of data.



Protect information

Address protection of data and sensitivity of clinical data issues, requiring client consent need to be addressed.



Data sharing

Cross-product house sharing of data flags. E.g., poor health assessment reading on any product or diagnosis registered on claim triggers activity.



Optimising access

Shared data and systems capability enables improved CRM and service levels. Enable both providers and members to access the information optimally e.g. in emergencies.

Navigating concerns



Regulatory constraints

Regulations may limit personal data use and pricing strategies in lifetime value and wellness models.



Equity concerns

Wellness programs may not be accessible to all, increasing disparities among members. Design for diverse populations.



Adverse selection risk

Careful modeling and collaboration manage adverse selection and diverse population needs.



Balancing innovation & design

Actuaries must balance innovation with solvency and equity. Ensure products are compliant, solvent, effective, and fair.

Lifetime value modeling

The concept of Lifetime Value (LTV) is central to transforming raw data into predictive insights that drive business strategy. In the highly competitive insurance industry, accurately calculating the lifetime value of a customer provides a competitive edge, enabling insurers to design policies, optimise pricing, and streamline risk management.

Formula
$$LTV = \sum (Premium_t - Claims_t - AdminCosts_t) / (1 + r)^t$$

Where:

- Premium_t: Expected premium in year t
- Claims_t: Expected claims in year t
- AdminCosts_t: Administrative costs in year t
- r: Discount rate
- t: Time period (year)

Applications

- Persistency modeling
- Forecasting claims trajectory
- Pricing for long-term engagement

Long term value

Long term value pricing per product house, enables optimal packaging and pricing (i.e., sharing margins between client and shareholder). It encourages retention and an improved client experience.



Demonstration of principle

- Say cost of Health + Life cover = ₹10,000
but due to physical wellness approach cost = ₹7,500
(assessed via LTV pricing)
- Then ₹1,250 can be improved profit margin and the ₹1,250 can be added to savings fund for the client, only available if client remains with our Group.

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Reference links



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