



**DELIVERING
ASIA**

**The health insurance
opportunity in Asia**

Brad Harris
Regional Director, Health Insurance
Prudential Corporation Asia
22 April 2008



- On 1 December 2006 Prudential held an analyst meeting in London to discuss our Asian businesses
- During this presentation Barry Stowe, CEO Prudential Corporation Asia, highlighted our key strategic initiatives
- One of these initiatives was Health Insurance
- I'd like to share with you some of the comments made by Barry in his presentation regarding Health Insurance

Health Insurance Commitments

“I am **passionate** about it, because I have seen the sort of success it can generate: It is **important** for this organization to do it”

Barry Stowe

01 Dec 2006, Prudential, Leading in Asia Presentation



Health Insurance Commitments

“We have to make the transition to more robust, stand alone [health insurance] products that offer real **value to customers**. They are terrific from every perspective.”

Barry Stowe

01 Dec 2006, Prudential, Leading in Asia Presentation



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- Commitments were made to grow the health insurance line of business and to make the evolutionary change from a rider dominated business to a diversified robust business that includes riders and stand-alone products sold through multiple distribution channels

Key messages

- **Realizing market opportunities and challenges**
- **Creating a winning strategy**
- **Delivering on promises in 2007**
- **Building upon successes**



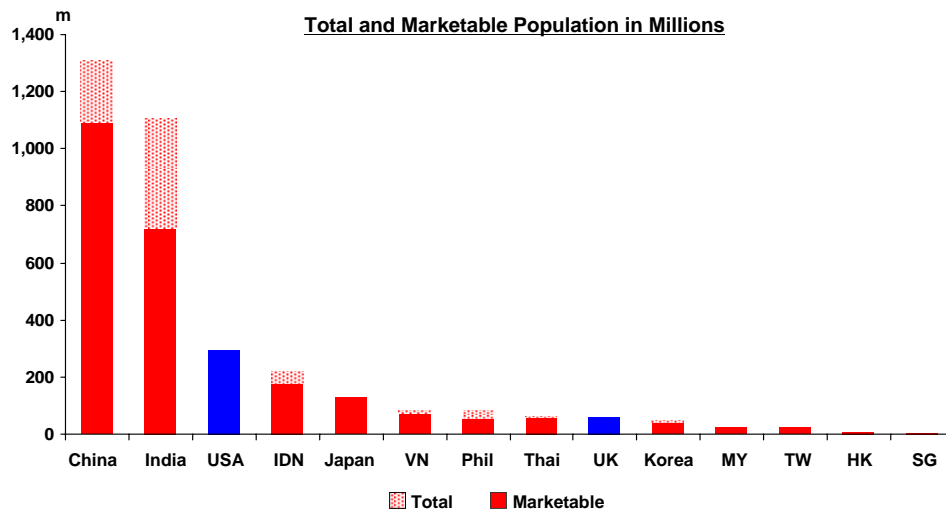
- We will be discussing four topics today
- The first topic is the market opportunities and challenges for health and protection insurance across Asia
- The second topic is our strategy for taking full advantage of the opportunities while turning the challenges into additional opportunities
- The third topic is showing you how we have delivered on the promises that we made in December 2006
- And, the fourth topic is how we are going to build upon our successes to deliver future growth and profitability

Realizing market
opportunities and
challenges



Sizeable opportunity : Vast populations

2.5 billion marketable population: Over 6.5 times the combined population of US & UK



Source: The World Health Report 2006, World Health Organization, Data as of 2005-07, World Bank, UN, Local government data

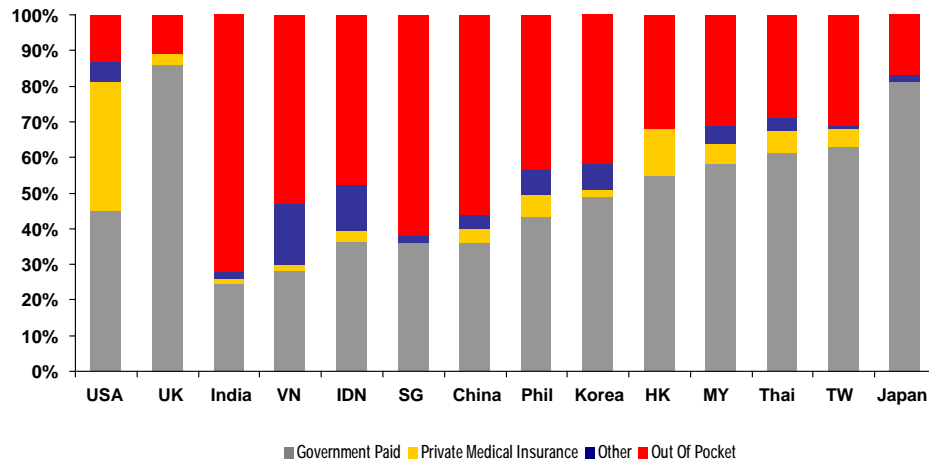


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- Everybody realizes the vast populations across Asia.
- The population of our markets in Asia is over eight and a half times larger than the combined population of the United States and the United Kingdom.
- However, due to income and affordability, today we can not target the full populations of these countries
- The darker area in the lower-half of each bar shows the marketable population based on income. This is the population that can afford health and protection insurance.
- Even using this lower number, our market population in Asia is still over 6.5 times larger than the combined total population of the United States and the United Kingdom.
- Due to the great economic growth, personal income is steadily rising across Asia. As the income rises you will see a larger percentage of the population being able to afford Health Insurance.
- This growth in income and the growing underlying populations be two of the factors driving future growth in Health Insurance sales.

Sizeable opportunity : Asians bear high out-of-pocket cost – and rising

Source of Funding for Medical Expenses



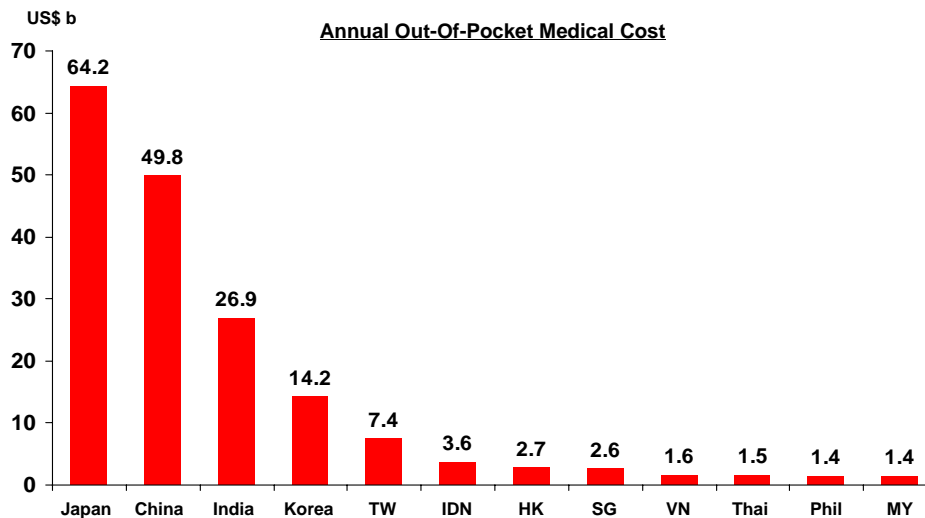
Source: The World Health Report 2006, World Health Organization, Data as of 2004-05, Dept of Health, Taiwan, HK Government Health Authority



- Marketable population is one of the first factors to look at when evaluating the market potential of Health Insurance. However, it does not tell us the percent of medical expenses being paid by the government or other sources, the penetration of private medical insurance or the out-of-pocket medical expenses being paid for directly by the citizens.
- The gray on this graph represents the percentage of the medical cost being paid for by the government. As you can see, even though most countries in Asia have government medical schemes, other than Japan, Taiwan, Thailand and Malaysia, the governments are paying for less than fifty-percent of the medical cost.
- The blue represents the percentage of medical cost being funded by other means such as charities.
- The yellow shows the low penetration of private medical insurance across Asia. What is not included in the insurance numbers are the supplemental protection insurance products that do not directly pay for medical expenses such as Critical Illness and Hospital Income.
- The red represents the out-of-pocket cost being born directly by the citizens. Other than Japan, out-of-pocket cost are a significant percentage of the medical cost. However, Japan still represents a huge opportunity and I will describe that in more detail later.
- The need for private medical insurance to reduce the out-of-pocket cost is huge and this need is increasing due to the increasing cost of care and the shifting of cost from the government to the citizens. Across Asia many governments are unable to absorb the rising cost of healthcare and they are shifting cost to the citizens.
- The increasing cost of healthcare and the shifting of cost away from the government are two more reasons why the market for health insurance will grow across Asia.

Sizeable opportunity : Asians bear high out-of-pocket cost – and rising

Over US\$170b spent on out-of-pocket medical cost



Source: The World Health Report 2006, World Health Organization, Data as of 2004-05, Dept of Health, Taiwan, HK Government Health Authority



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- By looking at the population, the per capita medical cost and the out-of-pocket medical expenses, we can get an idea of the amount of money being spent annually for out-of-pocket medical cost across Asia.
- Over 170 billion US dollars are being spent annually on out-of-pocket cost across our markets in Asia
- Japan, as mentioned on the last slide, has the lowest percentage of total medical cost paid out-of-pocket. However, it has the highest total dollar out-of-pocket spend due to the cost of medical services and the size of the population. Japan also has very low penetration of private medical insurance. Hospital cash policies are being used today to fill the gap between the hospital bill and the amount paid by the government, but this is an imperfect solution. Hospital cash policies do not take into account the actual cost of services or medical inflation. Medical policies that have a direct link between the cost of services and the benefit amount are a huge opportunity for Prudential and a better insurance solution for the consumer.

Increasing Public Awareness : Rising cost of healthcare

16% of Indians pushed into poverty by rising health costs

World Health Organization Survey 2006

**THE FAR EASTERN
ECONOMIC
REVIEW**

**Health Care: Asia's Bill of Health ---
The Asian Cure for Health Care**
2 November 2007

THE HINDU

**"The issue is the
cost of health care"**

17 January 2008

The Straits Times

Insure against health costs
8 August 2007

**Average hospital bills up by
10% to 30% last year , 25 July
2007**

**Health-care costs jumped 6.2%
last year , 22 January 2008**

THE WALL STREET JOURNAL.
ASIA

Japan budget set to rise next year --- Health-care costs outweigh reduction in public spending
21 December 2007

BBC

**Increase in China
healthcare costs reported**
9 May 2007

W **Watson Wyatt**
Worldwide

**Medical Cost Increases to
Accelerate Worldwide Over
Next Five Years, Watson
Wyatt Poll Finds**
February 6, 2008



- Medical cost continue to rise across Asia and public awareness of the issue is at a high point.
- It is difficult today to open a newspaper or magazine in Asia and to not find an article discussing the rising cost of healthcare.

Increasing Public Awareness : Healthcare reform & opportunities

South China Morning Post
scmp.com

Rising medical costs and an ageing population are driving the need for health-care reforms, but financing them is a sticking point
South China Morning Post, 12 Mar 2008

Meeting health-care needs
22 June 2007, The Malay Mail



China health insurance to cover more non-working urbanites: vice premier
27 February 2008, Xinhua News Agency

Hong Kong moves to reform healthcare
14 March 2008

India Healthcare revolution gains pace - Most sick people must still fend for themselves, but joint venture insurance could change that.
22 August 2007



Insuring parents helps fiscal health
1 March 2008
THE TIMES OF INDIA

REUTERS

Life insurers bank on private health plans
27 February 2008, The Korea Herald

China health care struggles to keep pace with growth
7 January 2008, Reuters News

Vietnam: Healthcare sector asked to match international standards

27 February 2008, Thai News Service

China to initiate health plan, aims to enhance health among general public
3 January 2008, China Business Newswire



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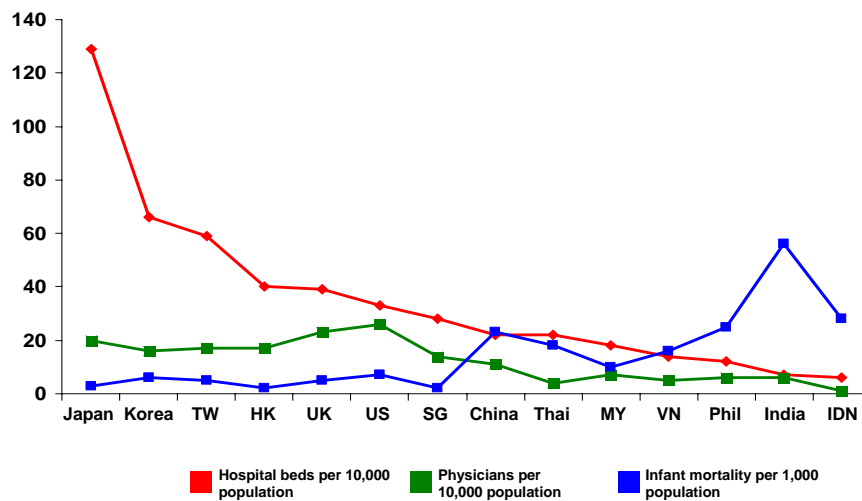
- As healthcare cost continue to increase, people are finding it more difficult to afford the cost of services and the governments are shifting more of their healthcare spending to the public.
- Healthcare reform is a topic widely discussed across Asia to address the concerns of uninsured, underinsured, the aging population, and the rising cost of healthcare.
- Healthcare reform is an opportunity for Prudential as more cost are being borne by private individuals.
- Hong Kong recently released a consultation paper listing six options for healthcare reform. Three of the six options involved private medical insurance as playing a key role.

Challenges : Diversity



- As you have seen, the opportunity for health insurance across Asia is huge. The market potential is being driven by the size of the marketable population, the high out-of-pocket cost, the rising cost of healthcare, the shift of expenses from the government to the public, healthcare reform, and the aging population.
- While the opportunity is huge for healthcare in Asia, we must also look at the challenges.
- Diversity is our main challenge. However, I will describe later how we can take diversity and change it into an opportunity and competitive advantage.

Diversity : Medical delivery system varies greatly across region



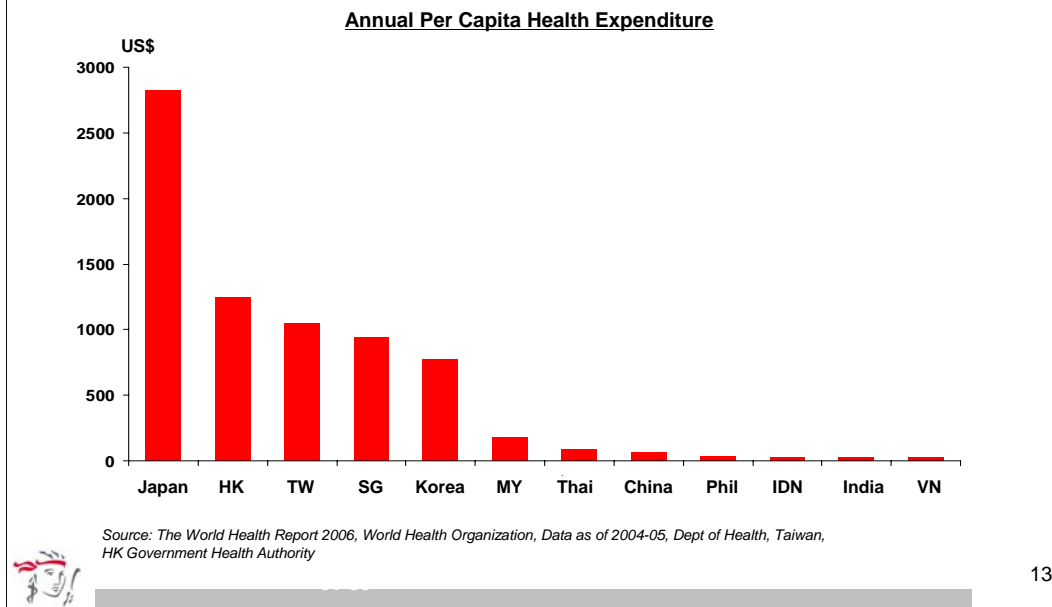
Source: The World Health Report 2006, World Health Organization
Data as of 2004-05, Dept of Health, Taiwan, HK Government Health Authority



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- The underlying medical delivery system is one of the main drivers of product development and managing risk. It impacts benefit design, medical trend, underwriting, and claims management.
- In Asia, the medical delivery systems are in different stages of evolution. The red and green lines on the graph represent the hospital beds and number of physicians per 10,000 population.
- The medical outcomes are directly related to the state of the medical delivery system. An excellent indicator to measure the access to care and the quality of care is the infant mortality rate. The blue line on the graph represents the infant mortality rate. As the number of hospitals and physicians decrease, the infant mortality increases.
- The US and the UK are mature medical delivery systems shown for comparison purposes.
- At one end of the spectrum in Asia is Japan with 129 hospital beds and 20 physicians per 10,000 population and a very low infant mortality rate and at the other end of the spectrum is Indonesia with only 6 hospital beds and less than 1 physician per 10,000 population and an infant mortality rate that is over 9 times higher than Japan's. As Indonesia's medical delivery system matures, you will see an increase in the number of hospital beds and physicians per capita. This increase will have a dramatic change in the utilization rates and the types of services being performed. These expected changes must be taken into account across all functions of managing the health insurance line of business to include product design, underwriting and claims. A product can not simply be moved from one market to another without careful analysis.

Diversity : Cost of medical care varies greatly across region



- The diversity on the medical delivery system drives wide variances in the cost of medical services.
- This graph shows the per capita total health expenditure cost per market.
- As people travel across Asia, receive medical care, and claim under their medical insurance policies, the cost of this care could be significantly higher in some markets compared to the market in which they purchased their product. During the product design phase we need to ensure that we have the proper risk controls in place while not restricting needed emergency care while traveling.

Diversity : Varying underlying medical schemes

 <p>India</p>	 <p>Singapore</p>	 <p>Japan</p>
<ul style="list-style-type: none"> • Highly private, fee for service system • Limited & overburdened public hospital system only in major cities • Private health insurance limited to those who can afford • Out of pocket financing • Largely unregulated 	<ul style="list-style-type: none"> • Dual system which competes openly • High quality subsidized public hospitals & clinics • Co-payments • Fee for service private hospitals & clinics • Mandatory health savings account – option to pay for public medical treatment and/or private insurance premiums 	<ul style="list-style-type: none"> • Public healthcare scheme & universal coverage • High quality services • Compulsory enrolment through workplace & community based schemes • Cost sharing of around 30% • Highly regulated



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- One of the key drivers of access, quality, and cost of care is the underlying medical scheme in each market.
- Across Asia we have a wide spectrum of public and private medical schemes.
- At one end of the spectrum is India. India is primarily a private fee for service medical delivery system with very little government provided benefits. The main options are either purchase private insurance or pay the expenses out-of-pocket.
- At the other end of the spectrum is Japan. Japan has mandatory universal coverage and a highly regulated high quality medical delivery system. In patient medical expenses, for example, are 70% paid by the compulsory scheme requiring a 30% out-of-pocket expense.
- A good blend of private and public is the Singapore scheme. There is a good mix of both high quality public and private hospitals and the expenses incurred in the public hospitals are subsidized by the government. There is also a mandatory health saving account that Singaporeans can use to either pay for out-of-pocket medical cost or purchase qualified private medical insurance.
- The other markets across Asia vary across this spectrum. Indonesia provides no public health system or subsidy from the government for non-government employees. Government employees receive health coverage in public hospitals that continues through retirement. Non-Government employees have the option of either private medical insurance or pay for medical expenses out-of-pocket.

Creating a Winning Strategy



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- As you can see, there are huge health insurance opportunities across Asia because of the large marketable population, high out-of-pocket cost, rising medical cost, shifting of cost to the public, healthcare reform, and the rising awareness of the need for health insurance. However, diversity is our greatest challenge.
- Let's now discuss our strategy to take full advantage of this opportunity while turning diversity into a competitive advantage and how this strategy leverages PRU Asia's strengths.

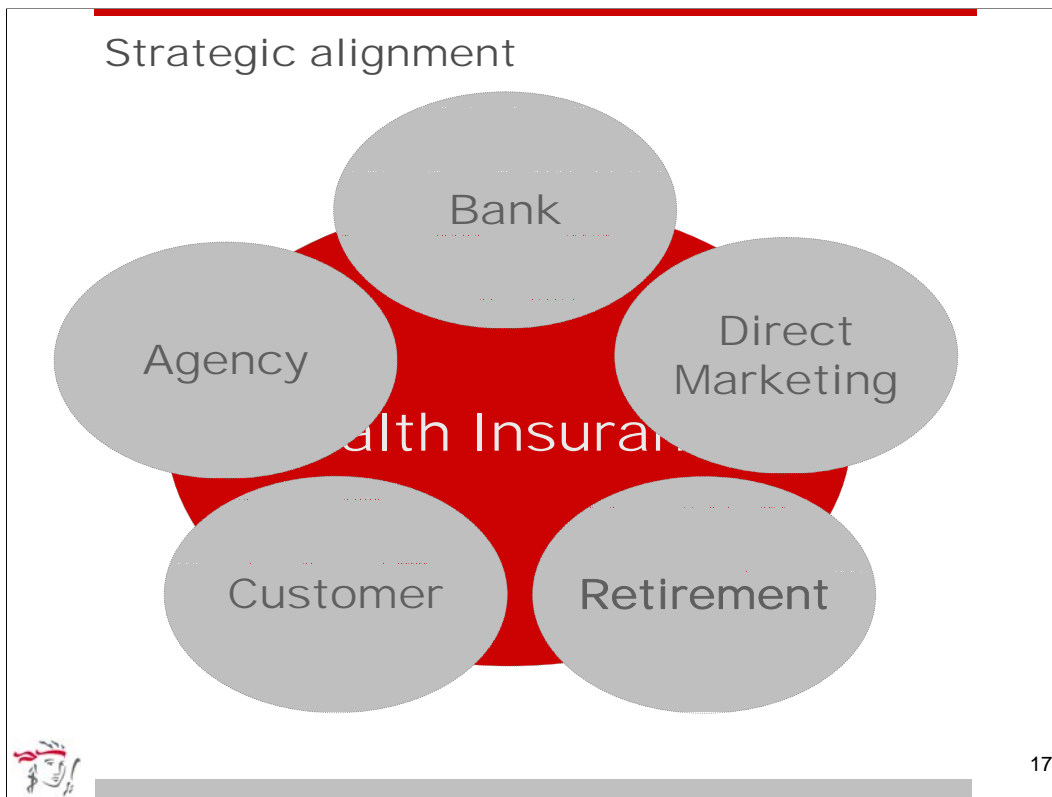
Strategy

Core Product	Utilize health and protection insurance to drive APE growth, increase NBP margins, deepen relationships with customers and distributors, and protect customers
Leverage PRU Asia's Strengths	Leverage the strength of PRU Asia by integrating health and protection insurance into all markets and distribution channels
Local accountability	Drive strategy from regional level and partner with local teams to execute at local level with local market specific strategies



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- PRU Asia's regional health insurance strategy has three main components:
 1. Position health and protection insurance as a core product offering
 2. Leverage the strengths of PRU Asia by integrating health and protection insurance across all markets and distribution channels, and
 3. Drive this strategy from a regional level but partner with the local teams to execute
- Health insurance is a core product for PRU Asia. We have raised the awareness of and included it into the regional PCA KPIs because it drives additional APE, raises the NBP margins of the business, it deepens our relationship with our customers and distributors while preventing competitors an entry product, and one of the most important reasons, it fills a need for our clients and protects them from unexpected medical expenses.
- Health insurance will not be built on the side of the current PRU Asia structure. We will include customized health and protection insurance into all distribution channels and into all markets to leverage the breadth and scope of PRU Asia distribution.
- We will drive from a regional level but partner with the local teams to ensure we take full advantage of both the expertise at the regional level and the market specific expertise at the local level. This is where we can turn local market diversity from a challenge to an opportunity.



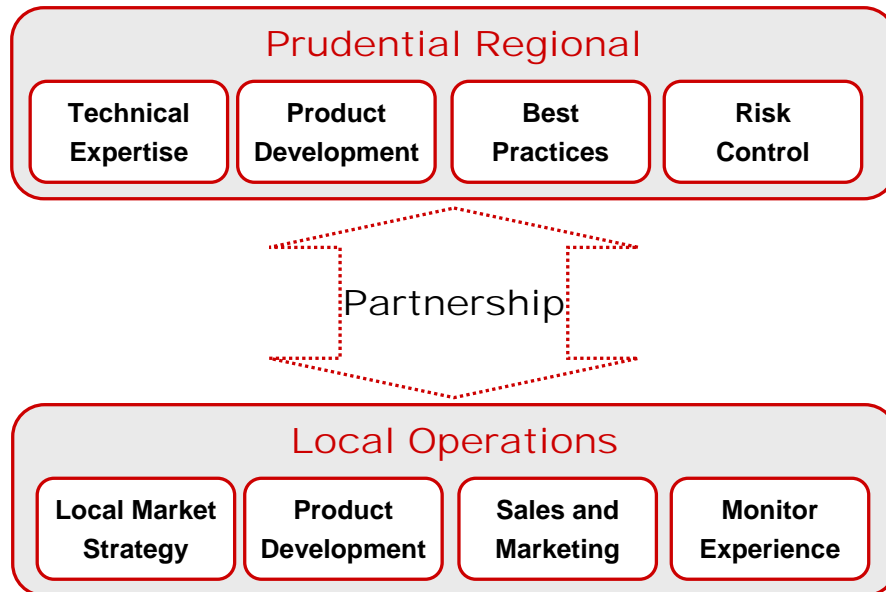
- As Barry has discussed in the December 2006 analyst presentation and again today, PRU Asia is focusing on the agency, bank and direct marketing distribution channels, maximizing our customer relationships, and the retirement market.
- Health and protection insurance overlaps with all of these strategic initiatives.
- Agency is the largest distribution channel within PRU Asia. We continue to expand our needs based selling approach across our markets. During the needs based selling approach, health insurance is a core product to protect our customers and maintain their standard of living.
- Bank distribution is one of the fastest growing distribution channels in Asia. This is a huge relatively untapped market today. Today the main insurance product being sold in the bank is for savings. Health and protection insurance is key to providing peace of mind to the customer that an unexpected medical bill won't disrupt their savings plan.
- Direct marketing is a natural distribution channel for health and protection insurance. They provide simple, easy to issue, low cost products that fill customer's needs and are easy to communicate during an over-the-phone sale.
- For some of the same reasons that health insurance works for direct marketing, it also works well for customer up-sells and cross-sells. One example is a hospital cash policy. As medical expenses and the cost of living increase, the daily hospital cash benefit becomes inadequate. An up-sell program can reach out to current policy holders and increase their daily hospital cash benefit to keep pace with inflation.
- The two subsets of the retirement market are the accumulation phase and the draw-down phase after retirement. One of the largest risk during the accumulation phase is an unexpected medical condition that prevents individual from making their scheduled payment into their retirement fund or even worse, requires them to pull money out of their retirement fund to pay for medical expenses. During the draw-down phase the number one concern is unexpected medical expenses requiring the retirement funds to be drawn down quicker than expected not leaving enough to live on.
- As you can see, health and protection insurance fits perfect into all of PRU Asia's strategic initiatives.

Delivering on Promises in 2007



- As we have discussed, the opportunity across Asia for health insurance is huge and we have a solid strategy in place to capture this market.
- So how did we deliver on the promises made at the end of 2006?

Initiatives : Refined approach



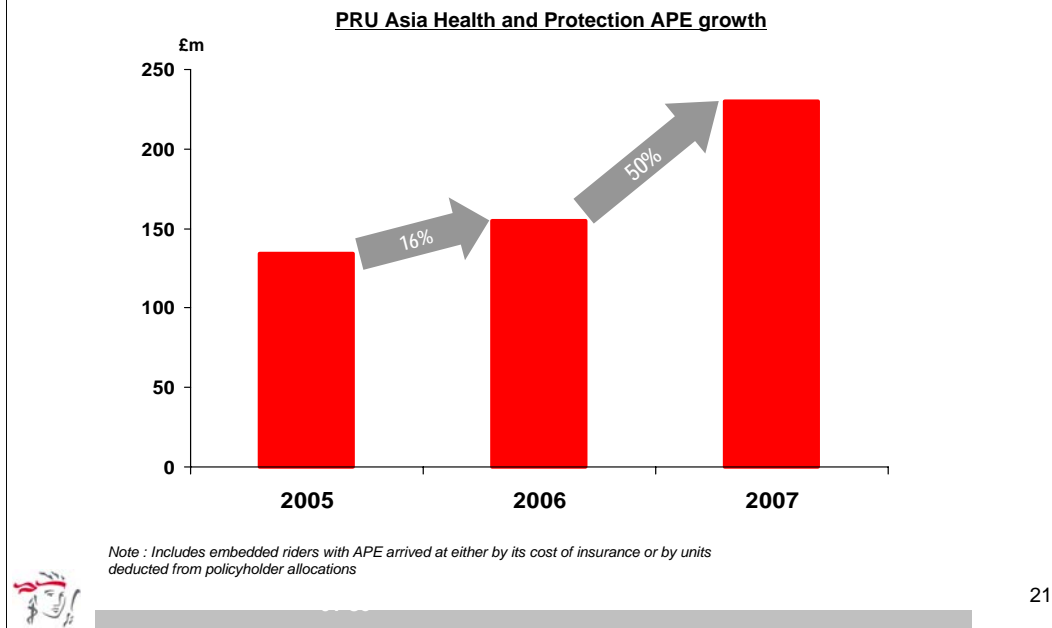
- The first task we accomplished in 2007 was a refinement to our approach to driving health insurance.
- We created and hired a full regional team to drive the health insurance initiative and to partner with the local teams.
- The regional team consist of health insurance experts with technical expertise in product development, actuarial, underwriting, claims, operations, and business development. However, we have not built a large regional team. We kept the manpower to implement the strategy at the local level with support from experts at the regional level.
- The regional team uses it's knowledge of the health markets around the world to provide insight and experience to the local teams. We have seen the evolution of many markets as they move from hospital cash to hospital reimbursement with inner limits to full reimbursement hospital and surgical and then into inpatient and outpatient products. We can assist the local team to predict where the market will go in their local market based upon where they are today in the evolutionary cycle and to learn from what other markets have experienced.
- The local team brings the local expertise. They know the local culture, medical delivery systems, public healthcare schemes, insurance regulations, and distribution systems. This is where we blend the regional expertise with the local knowledge to create a custom tailored strategy for each market. We take the diversity of each market and use it to our advantage to create a differentiated solution.

Strategic Initiatives Across Asia



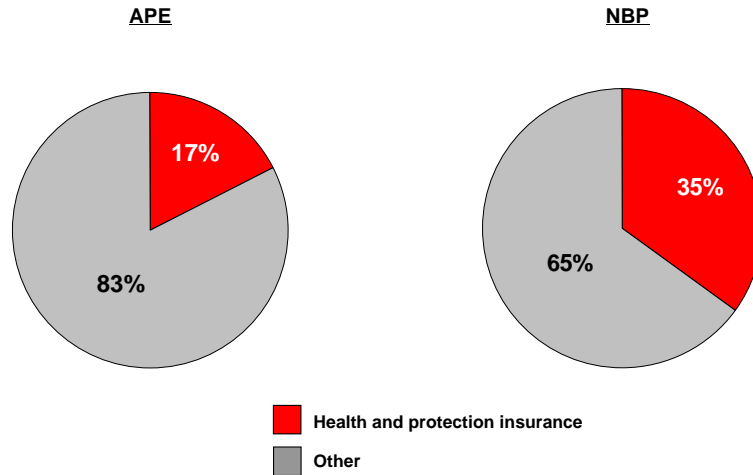
- One of the three components to our regional strategy is integration of health and protection insurance into the all markets and distribution channels.
- The gray markets in this slide show where PRU Asia has life operations today across Asia. When we started this initiative to drive health insurance we performed an analysis of each market to determine the local strategy for health insurance. In 2006 we only had integrated health insurance strategies in 3 countries: Indonesia, Malaysia, and Thailand.
- Indonesia and Malaysia have implemented a very effective rider attachment strategy. Needs based selling is used to create a packaged product that includes both investment and protection. Indonesia and Malaysia sell over 6 and 3 protection riders per policy respectively.
- Thailand is mainly a direct marketing company and, as we have discussed earlier, health and protection products are key to this distribution.
- During the year we have worked with each local operation to determine their health and protection insurance strategy. Today, all of our operations have an integrated strategy in place for health and protection products.
- We have also integrated health insurance into all regional and local sales incentive campaigns through all distribution channels.

Significant APE growth



- Health insurance is not a new product for PRU Asia. In 2006 we sold over 150 million British pounds of new APE. However, the growth was only 16% over prior. We were not taking full advantage of the health insurance opportunities and one of our commitments to you was to substantially grow this line of business.
- With our revised health insurance strategy and implementation at both the regional and local level, we have taken a 16% growth and turned it into a 50% growth.
- This was not a one-time shift due to increased focus. Our first quarter 2008 health and protection sales are 79% higher than our first quarter 2007 sales.

2007 Performance : Growing piece of the pie



- Another item that we continue to communicate to you is the higher NBP that health and protection products generate.
- In 2007, health and protection products accounted for 17% of the APE and 35% of the NBP. This shows the huge effect these products can have on the overall company NBP.
- The 17% shown here represents all health protection products sold including riders to unit linked products. Prior reporting of health and protection products was a subset of this number. We have also adjusted the 2005 and 2006 APE on the previous slide to reflect the full health and protection portfolio.

Leading product innovation

Product concept:

- Hospital and surgical reimbursement product integrated with the underlying government medical scheme

Key features:

- Premium paid out of Central Provident Fund
- Available rider to fill deductible and coinsurance gap
- Annual cap with unlimited lifetime benefits

Performance:

- Over twice the NBP of non-protection products
- Increased company's margin by 5%
- For every dollar of PruShield issued, eight additional dollars of cross-sell premium were received
- 9,500 policies submitted per month



Singapore

BLOCK OUT MEDICAL COSTS

Cover yourself with lifelong medical protection

Our insurance protection against unexpected medical expenses with PruShield is flexible and customizable to meet your needs. The coverage benefits it offers give you government medical coverage without any lifetime limit, no co-insurance and no cap on expenses resulting from illness or accidents. The portion of the government medical payments over the affordable premium can be deducted from your Medisave account!


For more information, visit your Prudential Adviser or see the Customer Line at 800-020-8188 or email us at customer.care@prudential.com.sg. Alternatively you can visit our website at www.prudential.com.sg or drop by our Service Centres in Singapore, Malaysia, Thailand or Sri Lanka.

Complement PruShield with PruShield Extra for 100% coverage from day one!

Exclusive \$5000* PruShield Health SP to \$45,000 per year for PruShield and PruShield Extra cover!


PruShield (A Premium Plan)

Maximizing customer relationships

Malaysia 

PRUmajor med 4

At last, we have a better solution
for major hospital bills



For major medical bills

PRUDENTIAL
ALWAYS THERE WHEN YOU NEED US

Product concept:

- Daily hospital cash rider upgrade to existing customers

Key features:

- Guaranteed issue offer
- Cross-sell rider available to increase policy duration to age 75

Performance:

- 124,000 policies issued in second half of 2007 representing over US\$12 million in APE
- 25% conversion rate



Creative Customer Solutions

Hong Kong



Product concept:

- Critical Illness stand-alone policy

Key features:

- Non-guaranteed maturity value
- Available rider that increases the sum assured annually
- Full suite of optional protection riders

Performance:

- Over twice the NBP of non-protection products
- US\$1,000 average premium
- 7,000+ policies issued in only 2.5 months resulting in almost US\$7 million in APE



PRU *crisis cover smartchoice*

The smart way to protect yourself
from the financial impact of major diseases,
both while you are working and in retirement



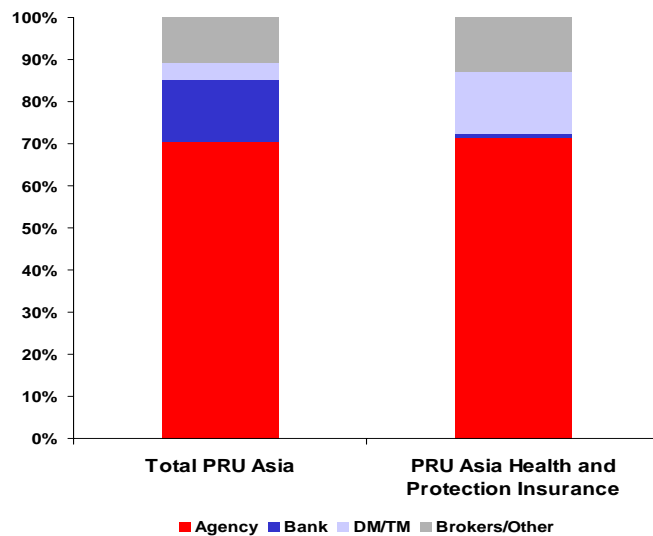
Building upon Successes



- As you have seen, There is a huge opportunity for health insurance across Asia, we have created and implemented a winning strategy, and we delivered superb financial results in 2007.
- We have grown the business by over 50%, delivered NBP over twice the level of non-health insurance products, built a more robust individual product suite, integrated the product line into all distribution channels, and used health insurance as a key up-sell and cross-sell product to existing customers.
- We have delivered on all promises made regarding health insurance in 2007.
- In 2008 we will continue to leverage the winning strategy implemented in 2007. However, we will also focus in on three key areas that we know we can tap into additional growth.

Opportunity : Bancassurance

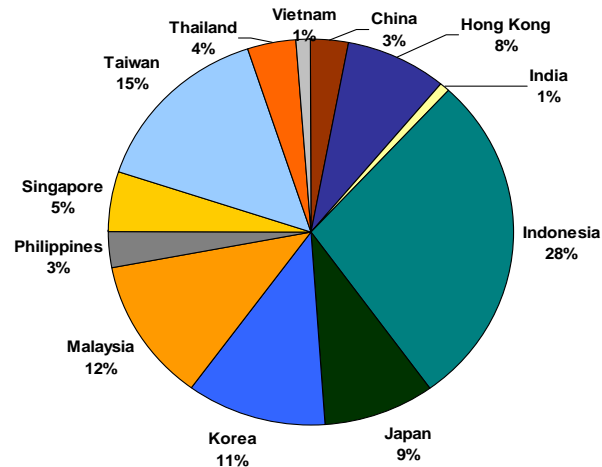
2007 APE by Distribution Channel



- PRU Asia's APE is well diversified across distribution channels. In 2007 agency was 70%, Bank was 15%, brokers were 11%, and direct marketing was 4%.
- Health and protection sales were split 71% for agency, 15% for direct marketing, 13% for brokers, and only 1% for bank.
- Bank face-to-face sales is currently an under penetrated health insurance distribution channel for PRU Asia.
- We have created a strategic initiative to drive health insurance through the face-to-face bank channel. We have added health insurance into the sales and recognition program with our largest bank partner, placed health insurance growth into our regional bank team's KPIs, and are creating market specific strategies to grow health insurance through this distribution channel.

Opportunity : Under penetrated markets

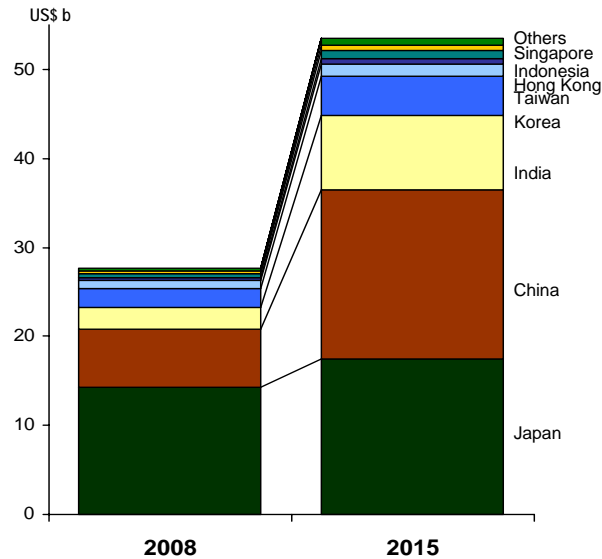
**2007 PRU Asia Health and Protection
Insurance APE Split by Market**



- In 2007, the health and protection APE by market was very well diversified. On further analysis, we see markets that are being under penetrated: China, India and Vietnam.
- China and India represent two of largest opportunities for health insurance across Asia. However, the combined sales from both countries represented only 4% of our total health insurance sales across Asia in 2007. This is too low. Strategies to increase the health insurance sales have been created and implemented for both countries. New medical products were released in both countries this month as part of this strategy and we are already seeing huge growth in India due to their focus on this product line.
- Prudential in Vietnam is the market leading company and 1.6 billion US dollars are being spent on out-of-pocket cost. However, health insurance in Prudential's Vietnam business only represented 6% of total APE in 2007. An integrated strategy has been decided that will combine riders and stand alone products to significantly raise the health insurance mix of business in Vietnam.

Opportunity : Retiree Healthcare

Annual Out-of-Pocket Health Spends for Population > Age 65 years



Source: The World Health Report 2006, World Health Organization, Data as of 2004-05, Dept of Health, Taiwan, HK Government Health Authority; US Census Bureau, Healthcare data pertains to 2004



- Health and protection insurance for the retiree market is the third opportunity I would like to highlight.
- Earlier we discussed the need for health insurance during both the retiree accumulation phase and draw-down phase after retirement.
- This slide details the current out-of-pocket medical cost being borne by the retirees across our markets in Asia in 2008 and projected in 2015 based on the increase in the population over age 65 and the projected increase in healthcare cost.
- The current spend on retiree out-of-pocket health care is over 25 billion US dollars and is projected to almost double by 2015.
- Health insurance will be integrated into the retirement strategy as it is rolled out across Asia. We will deliver a full needs based customized retirement solution that will include both savings and health insurance to fully protect our clients retirement needs.

Summary

- **Enormous market potential across Asia**
- **Winning strategy and implementation resulted in outstanding 2007 financial results**
- **Strong strategy for continued growth**

