



**DELIVERING  
ASIA**

# Regional Retirement Strategy

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## Today's agenda

- **Background on the retirement market in Asia**
- **Prudential's retirement strategy**
- **Taiwan case study**



PAUL

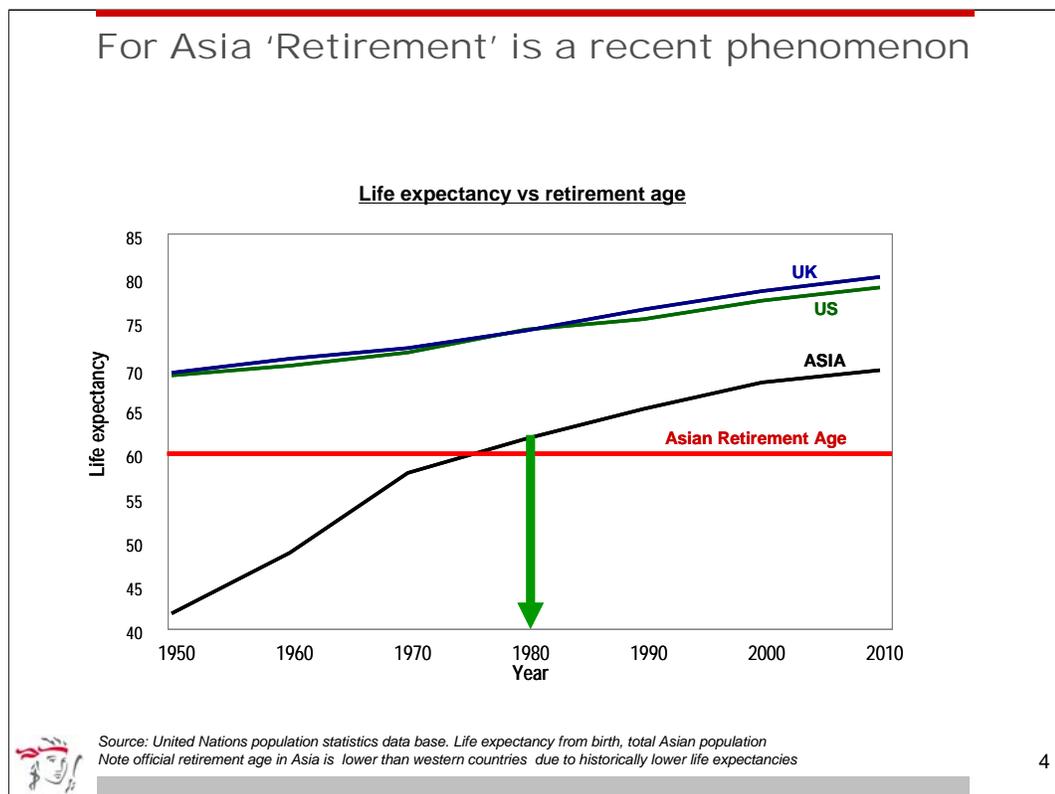
Introduce self, other speakers and order of presentation

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Background on  
the retirement  
market in Asia



## For Asia 'Retirement' is a recent phenomenon



The retirement crisis is often viewed as a Western Phenomenon, in fact Asia has been severely impacted by demography in this area in recent years. The key drivers are rapidly increasing longevity and rapidly declining fertility. I would like to go into some detail on this area and its implications for the retirement market

This chart shows how longevity has increased rapidly since 1950 in Asia.

On average in Asia people were living to 42 in 1950. At that time, life expectancy in US and UK was around 70. In 1980 that average Asian life expectancy was 61.7 : only just over the official retirement age for Asia . Today it is approaching 70

In the past most Asian people died before achieving retirement age and thus expected to work until they died. The official retirement age reflected low life expectancy at the time. For many Asians, who did not work within official corporate structures, retirement ages were irrelevant. The fortunate few that did 'retire' generally relied on large families to support them in old age.

Today, many more Asians work within corporations, so retirement ages are have relevance. Longevity has increased significantly, so more will reach retirement age and need to fund their retirements. However, this has happened within a single generation, so there is not the same degree of experience of independent retirement as in the West. At the same time as periods in retirement are increasing, the ability of the family to fund retirements is decreasing.

Total fertility rates define average number of children women will have. The replacement rate is the number a woman will have to bear to replace the current population. The replacement rate is set at 2.1

In the European union the average replacement rate is 1.5 and no EU country is above the replacement rate. However once again, the decline in the replacement rate is a more recent and dramatic phenomenon in Asia

Since 1970, China's replacement rate has fallen from 5.8 to 1.6, India's fell from 5.8 to 2.9 Japan from 2 to 1.3\*1 This means that Asian families face increasing numbers of retirees and they will not be large enough to bear the burden of supporting them.

These demographic statistics help to underpin the message that Barry Stowe gave during his presentation. Asia is on the brink of massive social changes, One of the most significant changes is the twin effects of increased longevity and decreased fertility on the retired population. Prudential is well positioned to help meet the financial needs of customers subjected to these changes.

\*1 "Why are people having fewer kids" Reason magazine – reason.com Feb 26, 2008.

## Differences between US, UK and Asia

|   | <u>United States</u>         | <u>United Kingdom</u>        | <u>Asia</u>          |
|---|------------------------------|------------------------------|----------------------|
| <b>Level of awareness of issue</b>                    | Moderate                     | Moderate                     | Low                  |
| <b>How people fund retirement</b>                     | Corporate /Govt self funding | Corporate /Govt self funding | Family/ self funding |
| <b>Savings in Cash</b>                                | Very Low                     | Low                          | High                 |
| <b>Tax incentives as drivers of retirement saving</b> | Yes                          | Yes                          | Generally No         |



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Here is a summary of the major differences between Asia and Western markets

As well as different levels of awareness, people fund retirement differently in Asia when compared to the west. Asian countries generally have lower levels of social welfare and individuals rely on self funding or support from their families.

Prudential is proactively working on this issue with Asian governments. And they have welcomed our help. For example, we have provided advice on asset liability matching and asset allocation to the Chinese government, held round table discussions with the Indian government and recently were asked by the Singapore government to speak exclusively as an expert on the financial services area at their conference on the ageing challenge in the country. There is much that can be learnt from our experience in the US and UK, where longevity risk is not a recent phenomenon

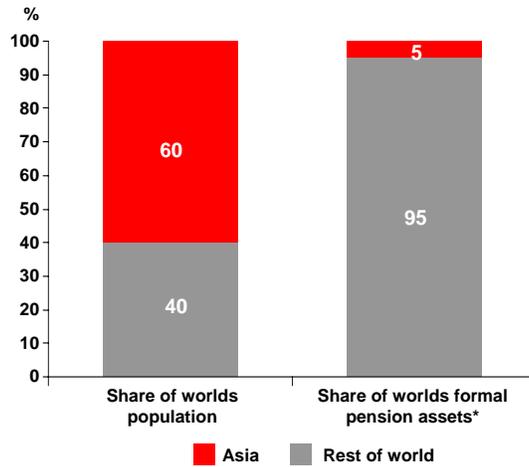
The savings rate in Asia remains high with families saving around 25% of their income, compared to 7% in UK and US \*1 A large amount of these savings are in cash

Finally, tax incentives for retirement saving generally do not exist in Asia. In fact tax rates are generally low so changes in taxation would have prospectively less effect than in the west.

*\*1 (Sources Asia Allianz, UK national savings and investment website, San Francisco Reserve bank website)*

## Low formal funding for retirement in Asia

**Population vs Formal Pension Assets**



**64% of Asians agree that**

**“My own savings and investment are going to provide the bulk of my retirement plan”**

Source: CIA fact book , Watson Wyatt, McKinsey research  
Note \*Asia shown ex Japan

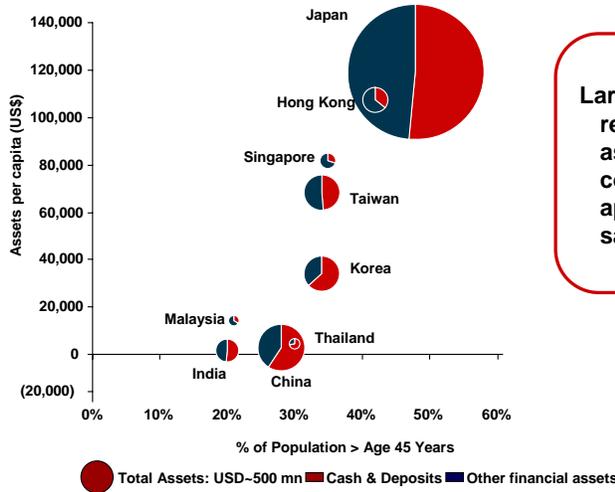


Due to the recent emergence of the retirement problem, Asia has been slow to develop the social welfare infrastructure to support the ageing population. So if we look at Asia ex Japan we have 60% of the worlds population but only 5% of the formal pension assets. By formal pension assets I mean government and corporate pension pools for funding retirement. With longevity increasing, family size dropping and less workers to support the retired, there will be more pressure on the individual to fund their retirement.

Asians understand that they need to fund their retirements. The key issue is that the changes in demographics in Asia means that the magnitude of the individuals funding is much higher than they expect. This is because retirements will be longer and more frequent and there will not be large families to support the increasing retired population.

# The Asian Retirement Opportunity

**Personal Retirement Asset Pools  
in Key Countries: 2007**



Large pools of personal retirement assets held as cash which can be converted to more appropriate retirement savings products.



Source: Citibank Asia-Pacific Household Balance Sheets Survey 2004; Bank of Japan, HSBC China Economics US Census Bureau International Database

I would like to share a projection of the overall market provided by Trinum consulting.

Let me explain the chart:

On the vertical axis we are showing assets per capita.

On the horizontal axis we are showing the percentage of the population over 45 years.

Therefore countries which are at the top right of the chart are older and richer.

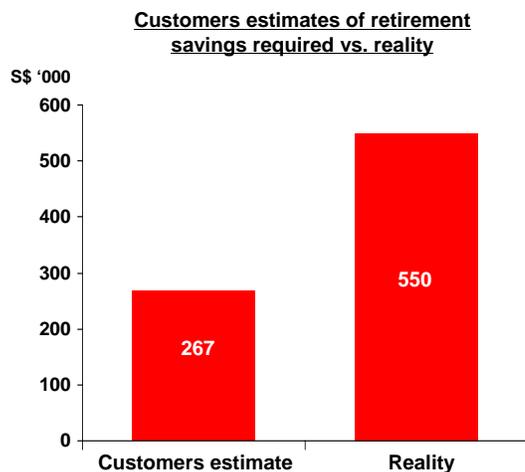
The size of the bubble is the total assets of people over 45 and the split of the chart shows the division between cash and other assets.

This shows the estimated asset pools from retirement markets and also highlights the high levels of cash holdings by Asians. Cash makes sense in a world of short retirements and strong family funding.

However cash is a less appropriate solution with long retirements and low levels of family funding.

The opportunity in Asia is to convert these high levels of cash savings into more appropriate vehicles for retirement savings.

## Customers are unaware of the amount they will need to fund



*For every four people who work out their retirement number :*

**Two** will change their investment strategy

**One** will increase their level of savings

PRU Research in Singapore; University of Chicago research



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I mentioned before that the key issue is that Asians are unaware of the magnitude of the retirement funding that they require. These figures show the gap between the customers estimates vs. the reality in Singapore, which has had one of the most 'retirement aware' populations in Asia.

Prudential research shows that whilst most people have started planning for retirement, most have not worked out their 'number'

A great deal of research has been done into consumer behavior and we know that for every four people who work out their actual retirement number, two will change their investment strategy, typically moving from cash based investments to equity investments. On top of this, one in four will increase their level of savings. This presents a compelling reason to talk to customers about their retirement needs, as most people in Asia have not worked out their number.

I would now like to introduce Adrian O'Connor our MD and Chief of Staff

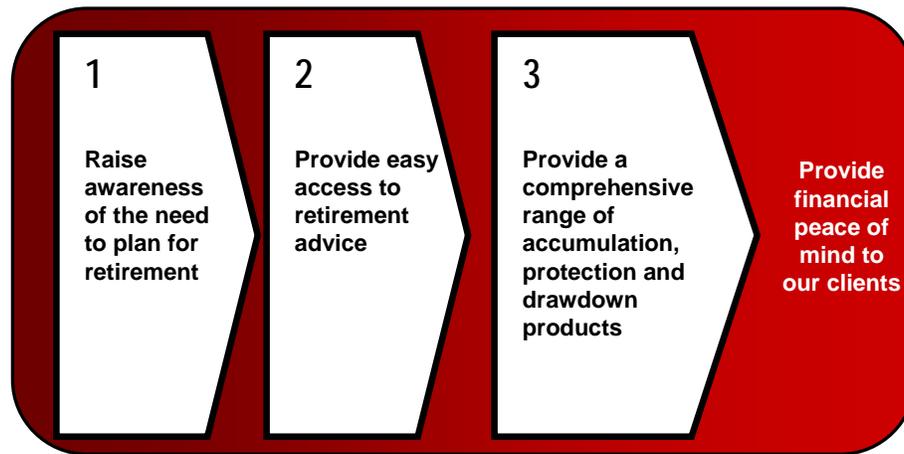
# Prudential's retirement strategy



ADRIAN

I'd now like to move on to outlining Prudential's retirement strategy and Prudential's strengths in executing the strategy.

## Prudential's strategy



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This slide summarizes that strategy

Revolving around three key components namely

- Awareness
- Advice
- Product.

Any great strategy should be focused on the customer, and the outcome we are seeking is to provide financial peace of mind to our customers. This is the strategy which has underpinned Prudential's growth over the last 160 years

### AWARENESS

We have heard from Paul that there is a fundamental lack of awareness of the size of the problem.

By raising this awareness makes people uncomfortable and makes them want to do something about it – to take action.

### GIVING ADVICE

Providing easy to access retirement advice is attractive to our customers

We know that providing easy to access retirement advice through our trusted brand will be attractive to customers

### PROVIDING PRODUCT SOLUTIONS

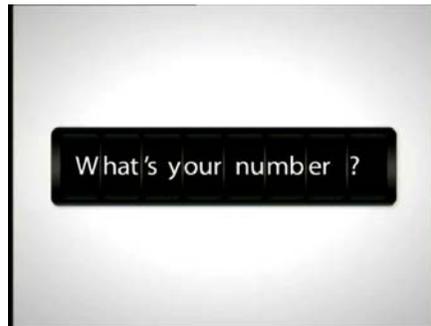
Finally we know that through our funds management and insurance product manufacturing capabilities, we can provide a comprehensive retirement solution for our customer

Resulting in peace of mind for our clients

# Raise awareness of the need to plan for retirement



## Regional Campaign



## Prudential's Strengths

### 1. Strong dependable brand

- Trust and stability is a key issue for consumers choosing a retirement company.

### 2. Our 'What's your number campaign' is the right message for the Asian retirement market

- Motivates customers to take action to understand their personal retirement circumstances.
- Directs customers to seek our experts.
- Can be leveraged across the region.



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Let's turn to each element of the strategy and see how they play to Prudential's strengths

First, in raising awareness of the need to plan for retirement

When raising awareness about retirement, the credibility of the provider of the information is critical. This is where our brand is a key strength.

Prudential has a strong and dependable brand, representing a financial services company which has been in existence for 160 years. This is exactly the sort of brand that provides the reassurance customers want when taking advice on commitment of their long term retirement savings.

Many of you will be familiar with our 'What's your number' retirement campaign. At our last briefing we showed you the campaign as it was developed for Korea. We have now built on this success and rolled it out to more countries. Later we will show you a commercial from the 'What's your number' campaign in Taiwan.

We have demonstrated through our "What's Your Number" campaign that we have struck a chord with the right message for the Asian retirement market, dramatically increasing awareness

What is this campaign about? It gets potential customers to calculate their number, the amount of money they need at retirement to fund their desired income in retirement supporting the lifestyle they want.

'What's your number' is a relevant, engaging and broad enough message to capture the wide range of customers who are thinking about their retirement needs.

Importantly, it is a call to action – it asks a question which the customer would like to have answered. It presents a solution – talk to Prudential. Many competitor campaigns are focused on presenting pleasant visions of retirement, or generating anxiety but without this compelling call to action. Prudential is presenting the solution for peace of mind in retirement, not being part of the problem

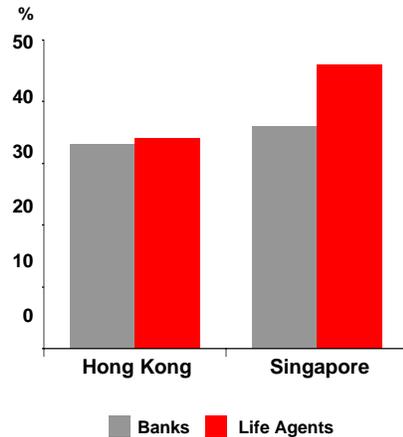
This campaign was piloted in Korea and following success there rolled out in India, Hong Kong, Taiwan Singapore and Malaysia \*1

Korea (Oct 2005), Hong Kong (March 2007), Taiwan (April 2007), Malaysia (Oct 2007), Singapore (Oct 2007), India (Oct 2007) A follow up campaign for Korea was launched in Oct 2007

## Provide easy access to retirement advice



**Who are you comfortable discussing retirement planning with? (highest responses)**



**Prudential's Strengths**

- 1. Prudential's channel strengths match customer preferences for retirement planning advice.**
- 2. Prudential has comprehensive regional presence**
  - Presence in 12 Asian markets.
  - 400,000 agents.
  - 82 bancassurance relationships.
- 3. Prudential provides one source for investment and protection advice.**



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Raising awareness and generating a call to action is complemented by our channel strength.

We have strong experience in distribution through agency and banks, and these are the preferred channels for retirement advice. \*1

In providing easy access to retirement advice, Prudential's extensive distribution footprint - in 12 markets with 400,000 agents and 82 bancassurance partners- is a key strength.

We have well trained, professional agents across the major markets. We also have the ability to deliver our product range through our extensive bancassurance channels

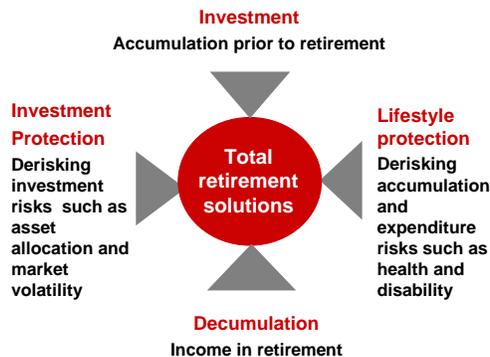
Finally because we combine both investment and protection capabilities, we can act as a 'one stop shop' for retirement advice

\*1 Research conducted in Singapore 2003 and Hong Kong 2004 by Prudential

Provide a comprehensive range of accumulation, protection and drawdown products



#### Prudential's Strengths



**1. Prudential's ability to manufacture investment, decumulation and protection products to provide total retirement solutions.**

**2. Gearing Pru's global expertise to introduce innovative retirement solutions in Asia**

- Introducing new retirement related accumulation products such as lifecycle funds.
- Introducing variable annuities based on experience from US markets.



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Providing peace of mind in retirement involves dealing with four key factors.

The first is the need to accumulate the appropriate sum prior to retirement

The second is to draw down from one's retirement savings at a sustainable rate

Thirdly, In order to do this successfully, we need to derisk this process as much as possible. By derisk, I mean to minimise investment risks from factors such as market volatility, inappropriate asset allocation and inflation.

Finally, we need to remove lifestyle risk factors such as the inability to accumulate due to disability or the loss of a spouse. We also need to remove lifestyle risks from decumulation such as unexpected or inordinately high medical costs.

This is a complex problem for customers to solve who need the appropriate blend of advice and products

As the age wave moves through Asia customers understanding of these risks and challenges develop, Prudential is ideally positioned to help provide peace of mind as we have the ability to manufacture the appropriate investment, decumulation and protection products. This is coupled with a professional sales force who can bring the necessary elements together to provide total retirement solutions

Prudential in Asia has a track record in product leadership- for example being the first to introduce investment linked life insurance products to Asia- the product offering currently underpinning the accumulation phase of retirement planning

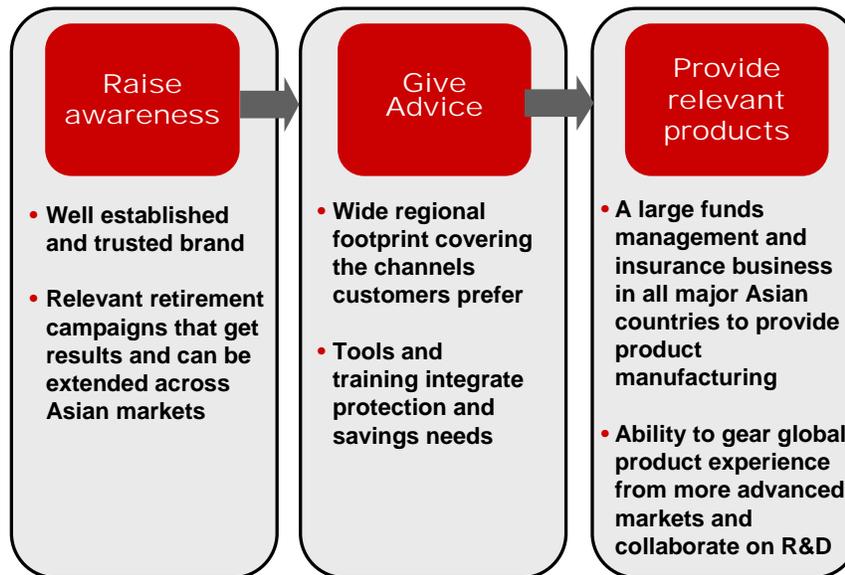
Prudential is not new to the retirement industry. We have been providing retirement services in the UK for most of the last century and our variable annuity products in the US are industry leaders. As new needs are emerging in the retirement market in Asia, we are drawing on our learning in these other markets.

Already our operations offices in Korea, Japan, Taiwan, Hong Kong have now introduced VA products with support and advice from JNL.

That support and advice is not just isolated to product manufacture but also includes the sales process, various marketing and training activities to promote retirement products.

For example, JNL have developed a very sophisticated approach to retirement seminars and we are trialing this in Hong Kong. Overall, the work has helped to shortened our learning curve in understanding VA product development and implementation.

## Summary of our strategy and strengths



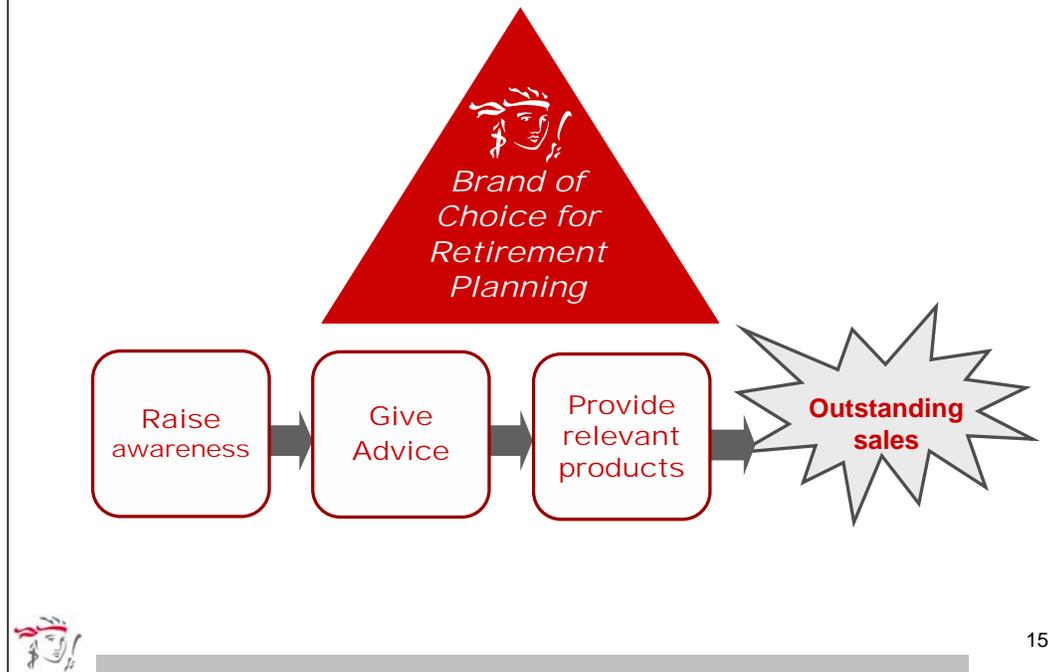
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So in summary – here is our strategy – Produce awareness, give advice and provide relevant products.

And here are the strengths that support the strategy

Taken together, this gives Prudential a formidable advantage in the retirement space in Asia

## Executing the strategy in Taiwan



ALFRED

L&G, good morning. I am the General Manager and Chief Operating Officer of PCA's life business in Taiwan.

I would like to show you today how we have executed the regional retirement strategy in Taiwan.

I will detail how we raised awareness, gave retirement advice and provided the relevant products to meet retirement needs.

Finally, I will show how successful this strategy was in producing outstanding sales

## Integrating the components to produce outstanding results in Taiwan

### Raising awareness

- “What's your number ? “ Campaign : 30 April to 31 May.
- TVC/Print/Billboards/Website.
- Target segment: Affluent 35~50 year old.
- New product launch with client incentive: 0.08% monthly management fee waived for first 10 years.
- Retirement Book/Booklet.
- Press conference.

\$ 每種退休生活,都有一個數字  
想知道你的嗎?



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We realised that raising awareness was critical. Taiwanese clients were largely unaware of the retirement challenge

We reviewed the results of the ‘What’s your number’ campaign which had been employed successfully in other countries by Prudential. We implemented it with some local flavour as there was no need for us to re-invent the wheel.

Our analysis showed that the best response would come from a particular target segment which is the group of affluent people at age 35~50 years old.

To dovetail the launch of our new television commercial and to get greater attention, we offered a special sales campaign for one month, from 30 April to 31 May, with a client incentive. Purchase of our new Variable Annuity product during the month would have the monthly management fee waived for 10 years. The monthly management fee is 0.08% of account value.

We published a Retirement Book to help our clients understand better the retirement challenge. There was also a Booklet, which is an extract of the Book, for our agents to give to clients as a teaser.

We also used a press conference to get media attention on the retirement issue.

These activities were designed to raise awareness and generate enquiries from customers.

Now let me show you the television commercial.

## Integrating the components to produce outstanding results in Taiwan

### Giving advice

- Product training seminars.
- Comprehensive sales tools.
- Web based tools.
- Island-wide road shows.



### Proves popular with customers

- Road shows : 135 island-wide.
- “All Ready” book – 14,709 sold.
- “All Ready” booklet – 80,260 sold.
- Website retirement game – 17,412 participants.



I have already mentioned our retirement book which provided advice on many retirement issues. We supplemented this material with internet based calculators and activities to allow customers to understand their retirement needs.

However our research showed that clients prefer face to face advice.

Prudential has a huge advantage in Taiwan due to our sizable professional sales force of 10,000 agents. These agents attended retirement planning and product seminars. They had to pass examinations before they were accredited to sell our retirement product. We supported them with comprehensive sales tools both print and web based.

We conducted 135 retirement road shows islandwide. These road shows were aimed at generating public awareness, but more importantly, provided the ideal forum for our agents to prospect clients.

There was a high level of engagement by customers due to our raising awareness and offering relevant advice.

We had a huge take up in our road shows, books and booklets, and there was also a lot of web based activity.

This showed that our awareness raising and advice strategy were successful in generating client activity

## Followed by well positioned product

### Product features

- Regular Premium Variable Annuity.
- Backend load.
- Linked to PCA Balanced Fund, QQ Fund and new REITs Fund.
- Annuity options of 10, 15, 20 years certain.
- One month promotional campaign with client incentive.



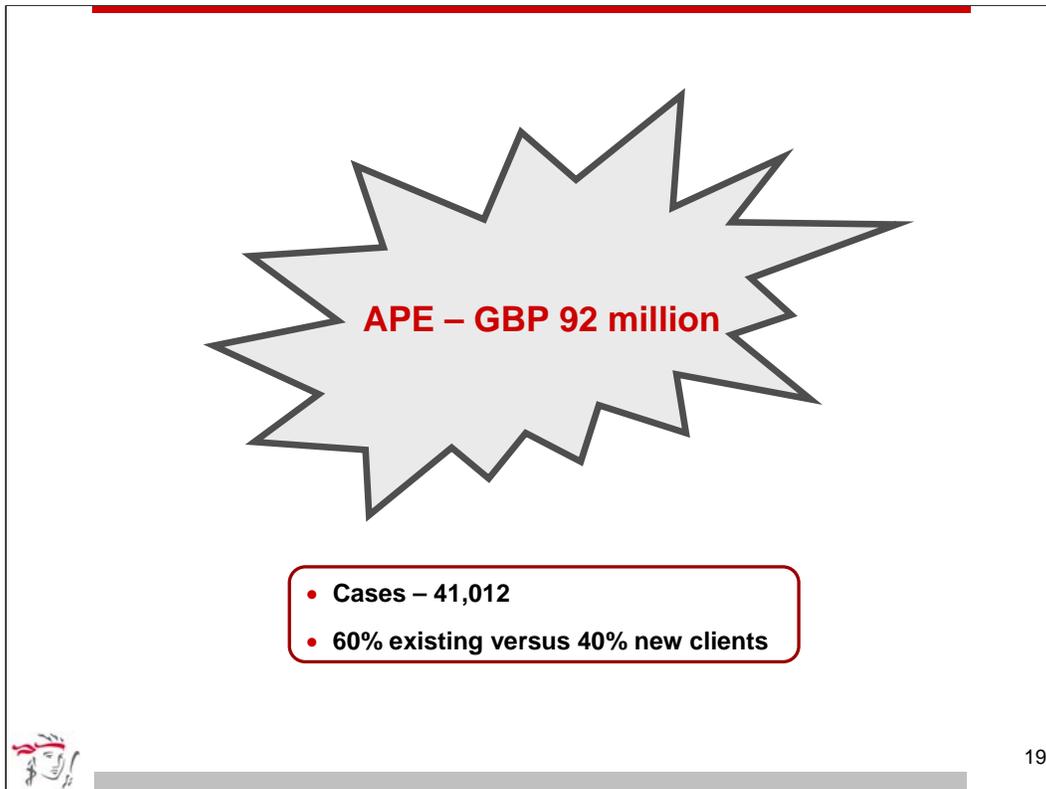
When it came to product solutions, our research identified that a variable annuity solution would be well suited to the Taiwan retirement market.

We therefore offered a regular premium variable annuity linked to a number of attractive fund options. As a variable product, there is no guarantee of investment return. We will continue to do consumer research for some form of guarantees as future feature enhancements.

It's a back end load product and every dollar that comes in will be allocated to the investment funds selected by the customer.

The minimum accumulation period is 10 years. The customer can choose to annuitize the account value at an age no later than 80. Annuity options of 10, 20 and 30 years certain are available.

Our decision to offer a special launch campaign with client incentive namely management fee waived for 10 years was a sales catalyst and paid dividends.



However, the real proof of the success of our activity was in the results. We gained around 41,000 cases, with a great uptake from existing clients and a large number of new clients.

The outstanding feature was the rate of take up – our sales during the campaign month (NT\$4.8bn or GBP 77m) were 4 to 5 times normal monthly sales

The final result for 2007 was APE of 5.7 billion New Taiwan dollars (GBP 92 million) for VA sales.

Thank you L&G I would now like to hand you back to Adrian O'Connor who will conclude our presentation and facilitate any questions you may have.

## Sales from 'What's your number' campaign

|                         | Types of Products   | When Was The Campaign Run | # of New Cases | APE (£m) |
|-------------------------|---|---------------------------|----------------|----------|
| <b><i>Korea</i></b>     | VUL, VA, universal life   | Oct – Nov (2005)          | 15,000         | 22       |
| <b><i>Hong Kong</i></b> | Whole life investment link, with-profit endowment               | Mar – May (2007)          | 34,814         | 45       |
| <b><i>Taiwan</i></b>    | Variable annuity  | May, Sep, Nov (2007)      | 41,012         | 92       |
| <b><i>Singapore</i></b> | Par savings, investment linked, linked regular savings, annuity | Oct – Nov (2007)          | 33,001         | 35       |



What's your number has been a success across the region. This slide shows the initial results in the various markets.

## Why Prudential will succeed in this area

- **There is a large emerging retirement market in Asia.**
- **Prudential is already well established as a savings and protection provider throughout the region and is already catering to personal retirement needs.**
- **We are well positioned to profit from the retirement market at its current stage of evolution.**
- **Awareness of the issue is the key driver of sales activity.**
- **Our awareness raising marketing, coupled with easy to access advice and retirement protection and savings has led to regional success and we are confident of further sales as awareness grows.**
- **We have the necessary local and global expertise to draw on as the retirement market continues to evolve.**



Our presentation has demonstrated there is a strong emerging market. Prudential has been catering to the needs of this market already, on both accumulation and protection needs.

We are well positioned to profit from the market and at its current stage of evolution

For the future we have the necessary local and global expertise to draw on as the market continues to evolve.