

## **Video transcript: Next Prudential Health Strategy**

### **Solmaz Altin – Managing Director, Strategic Business Group**

Health is important, to everyone. Prudential is already playing a big role in the health insurance market across Asia and Africa. Now, we are embarking on a new strategy that will focus on expanding and deepening our role in the health care system in Asia and Africa.

Prudential aims to play a larger role in the health care system as we deploy a focused strategy as an insurer that enables customers to access affordable health care by better managing health outcomes and controlling medical inflation.

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Hi, I am Solmaz Altin.

I am Managing Director at Prudential, and I am excited to lead the health insurance business for our organisation. I have previously run large health businesses in other fast developing markets and therefore know that in Health insurance, it comes down to specialized skills, deep expertise and network effects.

Today, I want to share some insights on the health insurance opportunity, and more importantly, share how Prudential is planning to become the most trusted health partner across Asia and Africa.

#### **Prudential is already one of the biggest health insurance companies across Asia.**

This year Prudential celebrates 100 years in Asia. We have steadily built a sizeable portfolio of retail health insurance businesses, in tandem with our life insurance growth.

Today, we are insuring the health of over five million customers with over 2 billion US dollars of Earned Premium in our health insurance business.

The Prudential brand is well recognised for our comprehensive health insurance products and service proposition.

Our Top 4 Health markets are Hong Kong, Indonesia, Malaysia and Singapore, accounting for over 90 per cent of our Health insurance portfolio. In addition, we have access to more growth opportunities in various markets with sizeable populations - many of which do not have adequate health insurance coverage.

**There is significant market opportunity for health insurance in Asia.**

Medical inflation is likely to continue to outpace normal inflation, for some time to come. In Asia, per capita total health care spend is expected to grow around 8 per cent every year.

The growing Asian middle-class will not be satisfied with the long waiting time and lack of options in overcrowded public hospitals and will rely more and more on the private sector. Indeed, private hospitals already account for over 30 per cent of hospital beds across Asia.

From my own experience, I know how important the check-in and check-out processes at hospital provider's sites are for our customers.

Consumers are largely picking up their own bills, too. In 2022, out-of-pocket spend in Asia is estimated to be around 40 per cent on average. This is much higher than the US and the UK, which are around 10 per cent and 14 per cent respectively. Asians are largely underinsured in their health needs.

And they are seeing rising private medical inflation, estimated at 10 per cent per year on average - well above normal inflation in markets like Hong Kong and Singapore.

This landscape presents an exciting opportunity for Prudential to further expand health insurance protection and coverage. As one of the largest existing health insurers across Asia with local scale positions and capabilities, we are well-positioned to become the most trusted health partner.

**We will pivot in order to better capture the exciting growth opportunities in the health insurance sector.**

We have the ambition to become the **most trusted Health partner** across Asia and Africa.

Our traditional role as the insurer has been that of a "payor" that focused on reimbursement of hospitalisation and surgery costs.

To capture the opportunities in the fast-growing health insurance segment, we are **transforming our Health Operating Model**.

We will be enhancing our internal operational, collaboration and governance system with renewed accountability and consistent measures of success for health as if it's a **standalone line of business whilst retaining efficiency and effectiveness in the context of the wider Group**. The target is to

create operating leverage by identifying and adopting best practice and, as Anil referred to before, establishing centres of excellence, thus achieving better economies of skill and scale.

More specifically, we will invest into two priorities:

1. Upgrading our health insurance propositions adopted across all of our markets, and ...
2. Enabling Connected Care and extending our role for the customers' online-to-offline health care journeys. We will achieve this through an asset-light partnership approach with other stakeholders in the health care system.

Let's go a bit deeper into these two priorities.

#### **Priority number 1: we will invest in upgrading our Health insurance core capabilities**

- In every key market that we operate in, Prudential aims to deliver **even more advanced products and value-added services** that cater to changing customer needs and demands.
- At the core, we will increase the sophistication of our **pricing models** to improve our product development and risk management ensuring both, competitiveness with peers and consistent delivery across markets with suitable premium levels for the risks we accept.
- We will be even more **customer-centric in our product design**, leveraging on customer and agent data insights.
- We will **continuously drive technical and operational efficiency**, focusing on effective claims and fraud management, as well as straight-through-processing in underwriting.  
Furthermore, we will make customer self-service convenient through seamless connectivity from online to offline using "Pulse" and other online service channels across the health care system.
- We **build a Health Ready Distribution**. Our Pru distributors will get dedicated health-related training to equip them with knowledge and tools to offer health insurance solutions.
- We will **partner with preferred panels of medical providers**, incentivized to optimize customer experience, clinical outcomes and costs. We will seek to leverage on our scale.
- We see leverage **on technology and data as** the foundational enabler that allows Prudential to build connectivity across the health care system. Specifically, this involves the use of artificial intelligence or A.I. and analytics to strengthen pricing and claims management especially in detecting and avoiding fraud.

**Let's bring this to life with a practical example of how we can execute this sort of centre of excellence approach with a case study from here in Singapore where I am currently based.**

Prudential Singapore is one of the key providers of the Integrated Shield Plan, which is a top-up plan to the government-administered basic health insurance plan for all Singaporeans.

Prior to 2017, the Shield Plan was largely unprofitable – the entire market, including Prudential was recording underwriting losses year after year.

In 2017, Prudential Singapore embarked on claims-based pricing of this portfolio - the first insurer to do so in the market. Claims based pricing adjusts premiums based on actual experience of the insured and is a fairer pricing approach for our policyholders. We also introduced rewards to policyholders in the form of premium discounts for developing healthy habits. We continue to do yearly repricing of the Shield Plan to reflect on real experience in medical inflation.

Our differentiated approach has yielded very positive results. We managed to turn an underwriting loss of 5 per cent in 2017 to an admirable 11 per cent underwriting profit in 2018.

In 2020, we deployed more initiatives to maintain our healthy underwriting profit margin. We also launched PruPanel Connect, the first hospital panel network in the Shield Plan industry. This allowed us to negotiate for better prices and steer more customers to our preferred network. At the same time, our customers enjoyed better service quality and faster delivery time.

Our disciplined approach in continuously building Health capabilities has resulted in great value creation whilst our peers have been catching up at a slower pace.

This case study is only one example of Prudential's existing Health capabilities. We will add to these capabilities with our new Health operating model and utilise them at scale. In my experience, the key is paying very close attention to actual customer experience, being nimble in helping customers keep their medical protection and meeting their needs whilst mitigating the effect of ongoing medical inflation by differentiated and sophisticated risk-based pricing mechanisms.

**Back to our priorities.**

**Priority number 2: we enable Connected Care through an asset-light approach**

From a customer's perspective, the health system across Asia and Africa is of course much broader than just the interactions with the health insurance company. As Prudential, we are currently not participating in adjacent customer journeys, like prevention and detection, or chronic disease management, or rehabilitation and care.

We see opportunities for Prudential to expand our strong customer base by establishing links to members of adjacent health journeys, through partnerships.

Whilst pursuing this second priority, we want to follow an asset-light approach focusing on integration with preferred partners along the health care continuum.

**What does an asset-light approach mean?**

We do not want to run and own hospitals and clinics – that is not our core capability and would involve considerable capital outlays at high execution risk levels.

More importantly, we recognise that we need a highly flexible model that can be tailored and customised to meet local market needs. We are open to targeted strategic investments, limited to cases where they provide scale across the region and drive positive value for the customers and our business.

Therefore, we are interested in forging strategic partnerships with a full spectrum of health care providers supported by technology integration with our platforms.

For example:

- **Before someone gets ill**, we want to encourage customers to develop healthy habits for illness prevention and help them detect health issues early. Potential partners here include health screening centers, wellness centers and predictive health-tech providers.
- **When an illness is diagnosed and treatment is required**, we want to guide customers to sites of care for the best experience and outcomes. Here, we have the opportunity to steer customers to a preferred partner network of clinics and hospitals, and can explore higher usage of self-diagnostic tools and tele-medicine solutions, thereby reducing unnecessary medical costs for our customers and creating value for our shareholders

- **To ensure full recovery**, we want customers to continue to be cared for post hospitalization. Here, we will explore partnerships with rehabilitation centers and home care providers.
- **In managing patients with chronic illnesses**, we want customers to receive optimal care outside hospitals, where support is more affordable and accessible, such as polyclinics and support groups, as well as mobile health services.

### **So, what does success look like?**

We will use two specific success metrics to demonstrate the value-added from our Health strategy:

Our outcome based KPIs are:

#### **1. Health Net Promoter Score, what we know as NPS.**

We want to successfully deliver our commitments as a trusted partner to our customers in managing their health – where they enjoy great experiences with Prudential and have better health outcomes as a result. A strong net promoter score will be essential to drive organic profitable growth. Currently we do not capture the health score within our existing NPS surveys.

By 2027, we want to be in the Top Quartile versus our competitors in the health insurance market, and continuously stay there.

#### **2. New Business Profit, or NBP of the Health Business.**

We want to scale up and drive value, and our target is to more than double our NBP by 2027.

Health insurance is important for our customers and is important for our business. Our new Health strategy will strengthen the bond with our customers and drive value, for them and for us. I am excited about our next chapter in running Health differently and making it an important part of the Next Prudential.