



**Prudential**  
Seizing  
the  
**Opportunity**

# Life Product Design

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Prudential Corporation Asia  
November 2004



# Product regulation in Asia

## Diversity













- 12 regulators and sets of rules
- UK or US influenced
- '90/10' funds, US style or hybrid

## Common themes

- Innate conservatism
- Protectionist
- Focus on product (rather than distribution)
- Formulaic pricing
- Prescribed assumptions

# Regulators' influence on product design

Regulators quite prescriptive in many markets

		Approval of all product features	Regulator defines premium basis	Minimum surrender value
	Singapore			✓
	Malaysia			✓
	Hong Kong			
	Taiwan	✓	✓	✓
	Japan	✓	✓	✓
	Korea	✓	✓	✓
	Vietnam			
	China	✓		✓
	India	✓		
	Thailand	✓	✓	✓
	Indonesia			
	Philippines	✓		✓



# The actuarial profession in Asia

Increasing influence in the last few years

Country	HK	SG	MY	JN	KA	TW	Indo	Phil	Thai	VN	China	India
Local actuarial organisation	✓	✓	✓	✓	✓	✓	✓	✓	✗	✗	✓	✓
Local actuarial qualifications	✗	✗	✗	✓	✓	✓	✓	✓	✗	✗	✓	✓



# Availability of data

More limited local information requires a well considered approach

Industry  
mortality  
data



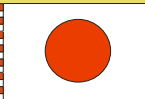
HK



SG



MY



JN



KA



TW



Thai

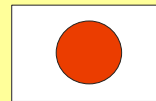


China



India

Industry  
morbidity  
data



JN



KA



# Reserving and solvency requirements

- **Mixed fortunes of solvency regulation in Asia**
  - Prudent regimes and stable markets in most territories
  - State bail outs
  - True position obscured by conglomerate status
  - Industries “too big to let fail”
- **Different regulatory reserving and solvency requirements**
  - Risk Based Capital in some markets
  - Percentages of reserves and sums at risk in others
  - Minimum fixed amounts affect smaller business and start-ups



# Prudential's approach in Asia

## Depth of resources

- Actuarial teams in each local operation
- Regional team mix of local and international expertise
- Secondments from Group



- **Advantaged approach to product design :**
  - Local knowledge and regional synergies
  - “2 green light” approval process for new products
  - Ongoing evaluation of performance
- **Taking a lead in the industry :**
  - Advise regulators
  - Support actuarial societies



# Advantaged approach to product design

Product innovation driven by effective mix of local knowledge and international expertise

## Customer centricity

- Meet customer needs
- Add to or replace current products
- Satisfy PRE

## Financials

- Positive contribution to estates
- Capital efficiency
- Reinsurance
- Profitability
- Sensitivities analysis

## Regulatory and compliance

- Distributors have appropriate sales skills
- Appropriate benefit illustrations



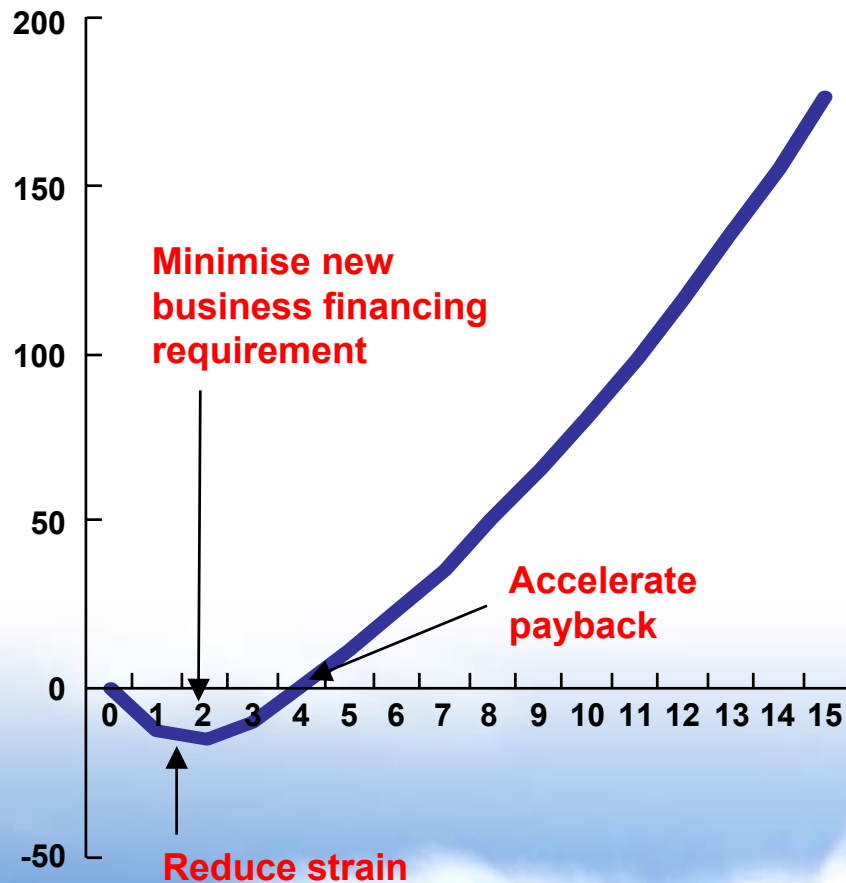
**Manage risks we take with margins we make**



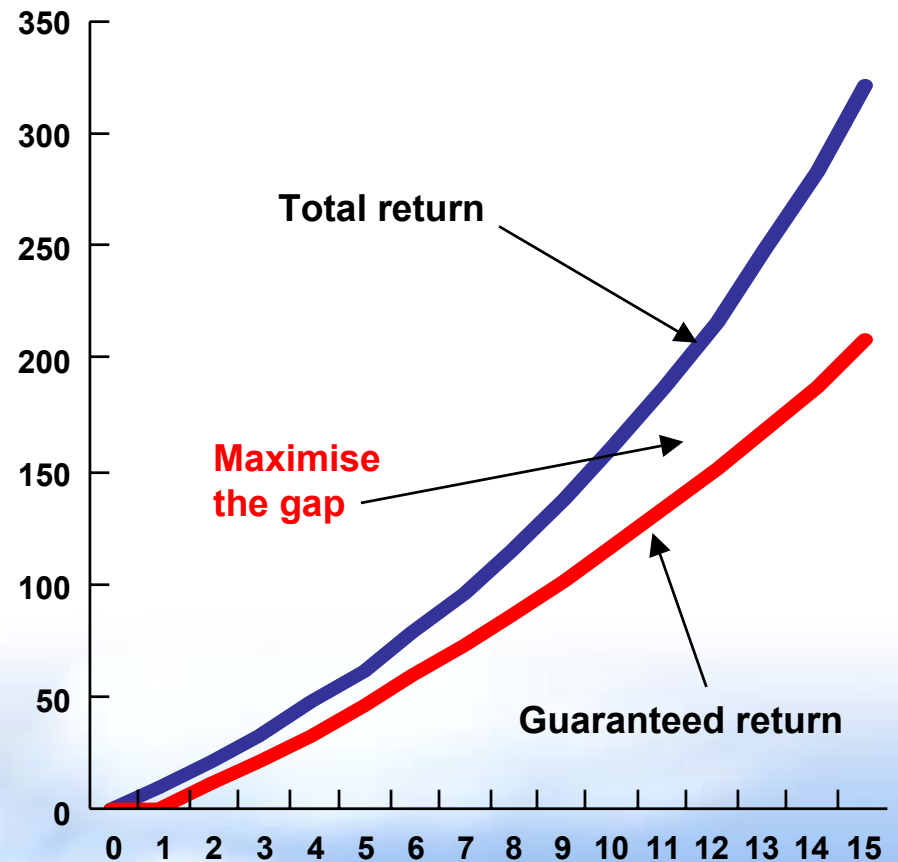


# Product design objectives

## Profit profile



## Returns to policyholders





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**Manage risks we take with margins we make**



# Ongoing assessment of existing products

- **Delivery against expected performance**
  - Against reserving parameters
  - Against Achieved Profits assumptions
- **Active management of Par Fund PRE and bonus rates**
  - Bonus rate reductions where necessary
  - Clear communication with policyholders
  - Managed shift towards terminal bonuses
- **Withdrawal of products which cannot be modified to meet requirements**
  - Annuities in Singapore
  - Corporate channel business in Japan



# Taking a lead in the industry

- **Contributing to the development of regulation**



- Provide information on and exposure to other markets
- Facilitate contacts with UK and other regulators
- Help frame new regulations to meet market needs

- **Supporting the actuarial profession**



- Staff take leading roles in local actuarial societies
- Contribute to conferences and seminars
- Encourage professional study and development



## Summary

- **Complex regulatory and competitive environment in Asia influences product design**
- **We have :**
  - an advantaged mix of local and regional expertise
  - well structured processes to control product risks
  - a proven record of positively impacting business and the industry