



Prudential
Seizing
the
Opportunity

China : Preparing for Future Growth

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CITIC-Prudential Life Insurance
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China : Overview

Country

Population 1,292m

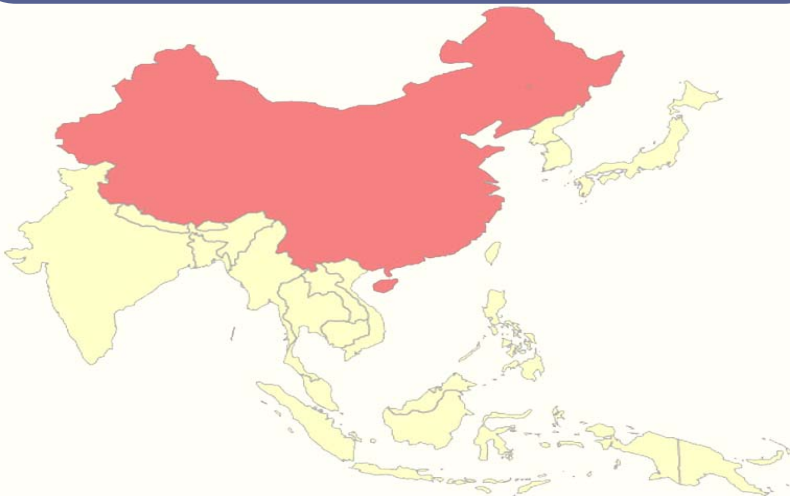
Life Insurance penetration* 2.5%

Life insurance market

In-force premiums £7.8b

2003 new premiums £12b

Total premium volume £20b



Characteristics

Geographical restrictions

Domestic companies still dominate

Prudential entered in 2000 through joint venture with CITIC

Top 3 players (domestic)

China Life

Ping An

China Pacific

Top 3 players (foreign)

AIA

Antai / ING

CITIC-Prudential

Key industry developments

The past 4 years have seen a gradual opening of the China market

- Geographically restricted : 15 cities
- Licensing centralized for foreign players
- Participation restricted to individual business

Foreign players	No of cities	Entry year	
AIA Branch	8	1992	
Manulife	4	1996	
Prudential UK JV	3	2000	
Generali JV	3	2002	
Aviva JV	3	2003	
Antai/ING JV	2	1998	
Allianz JV	2	1999	
AXA JV	2	1999	
Sun Life JV	2	2002	
ING JV	2	2002	
New York Life JV	2	2002	
CMG JV	1	2000	
John Hancock JV	1	2001	
Nippon Life JV	1	2003	
Cigna JV	1	2003	
Aegon Life JV	1	2003	
CNP JV	1	2004	
MetLife JV	1	2004	
Standard Life JV	1	2004	
Skandia JV	1	2004	
Total players	20	Total foreign operations	42

Our joint venture partnership

We have a strong joint venture relationship built on trust

Local expertise

Customer base

Brand

Well respected

National coverage



Reputation

Insurance expertise

Product

Distribution

Operations

People

Our approach : People model

Our people model ensures we have the resources available to manage our expansion strategy

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- A yellow map of the Asia and Oceania region is overlaid on a blue sky background with white clouds. The map shows the outlines of the continents and major islands.
- **Over 300 people brought in from Prudential operations around the Region**
 - **Over 200 local management hires since launch**

- **Expertise sourced from across Region**
- **Implementation of regional best practice**
- **Build strong pipeline of talent through Leadership Development Programmes**

Our approach : Speed to market

We have built substantial experience in setting up operations

Multi-disciplined task force

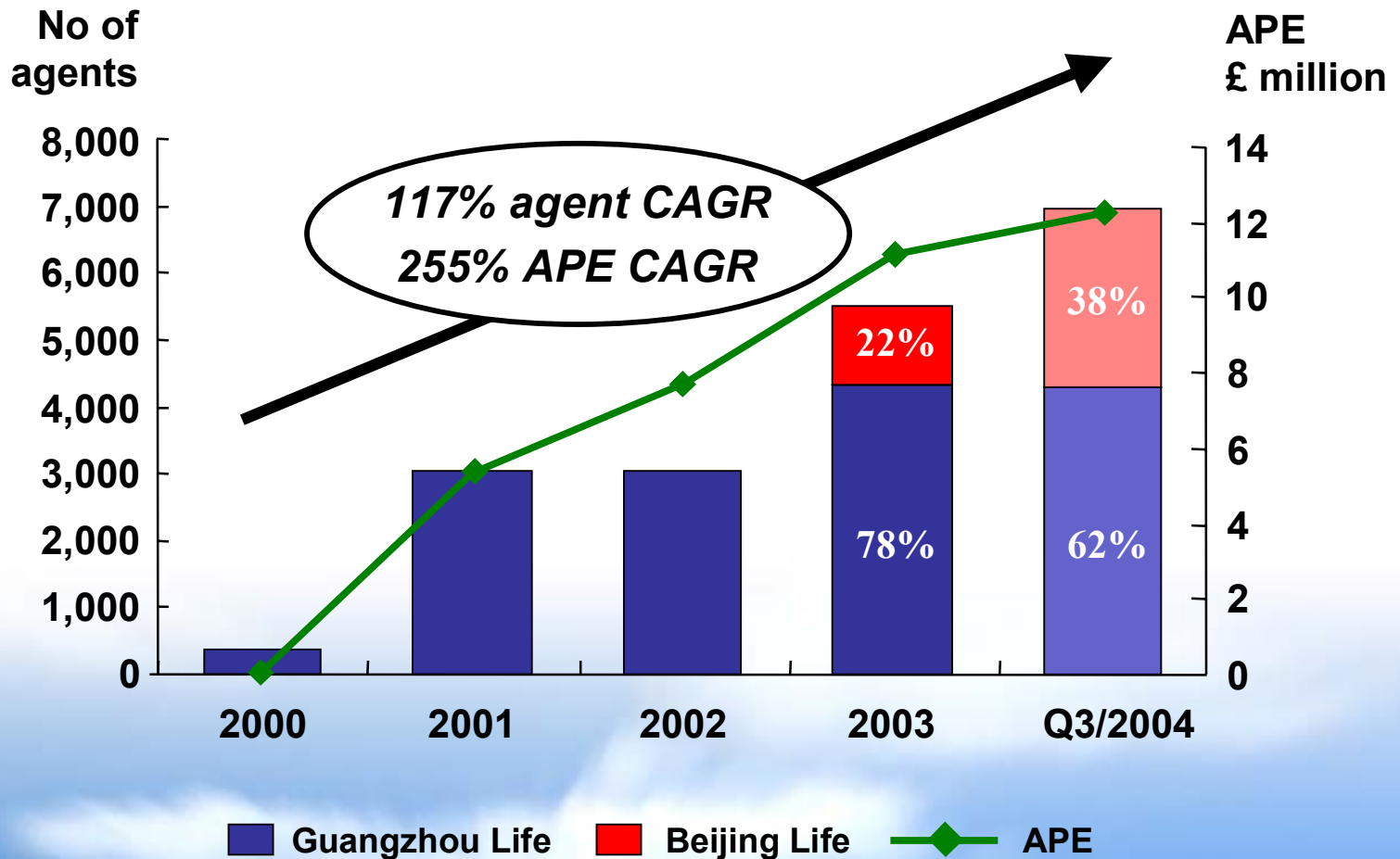
- **Securing licenses**
- **Premises set up**
- **Development strategy**
- **Resource hiring**
- **Agency recruitment**

Achievements

- **4,300 agents and 396 staff in 4 years in Guangzhou**
- **2,500 agents and 134 staff in 1 year in Beijing**
- **300 agents in 2 months and 52 staff in 4 months in Suzhou**

Our approach : Agency expansion

Our firm foundations have led to rapid expansion of our agency channel in each market



Our approach : Product and services differentiation

We have a broad product portfolio to cover our customer needs and created a leadership position in unit linked



- **Market segmentation strategy**
 - Retirement products for aging population and disappearance of “Iron Rice Bowl”
 - Juvenile products for “one child policy”
- **Customer- focused strategy**
 - Innovative in unit-linked product to address the need of middle class and capital efficient issue

China

**Pioneering simple, easy to understand policy
contract for our customers**

Product Explanation VCD

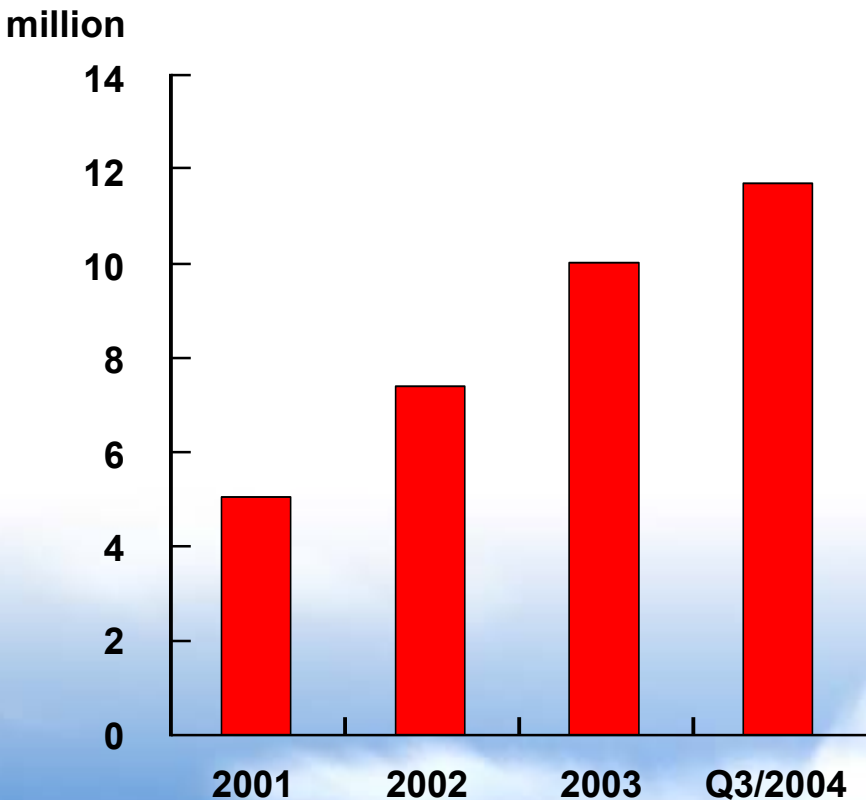


小灵通，这份合同条款这么多，该怎样看？

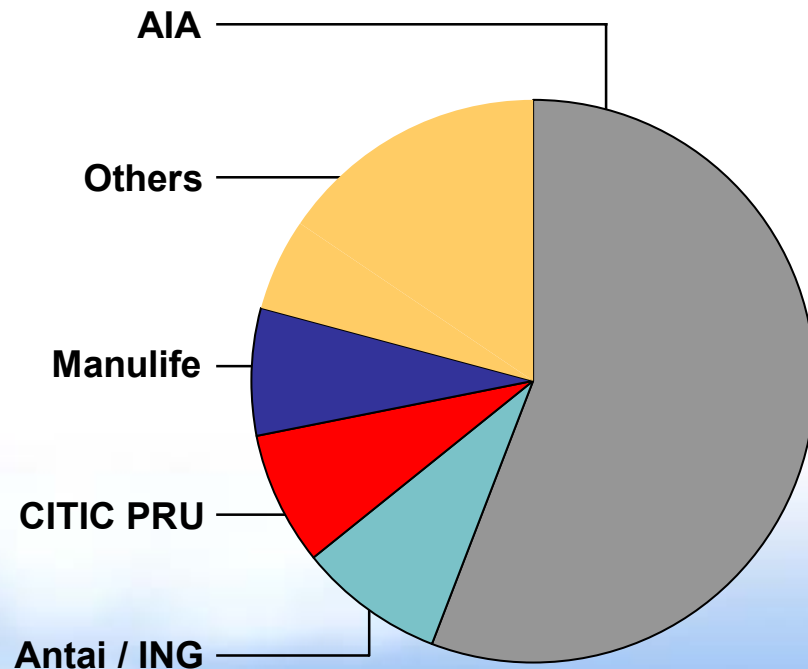
Our results

Exponential growth and leadership of the market

Our APE growth



Market share (foreign players)*



Going forward : A step change in access

Our total accessible market will increase with deregulation

Current market

Guangzhou 7m

Beijing 15m

Suzhou 7m

Total 29m

Potential markets

North China 257m

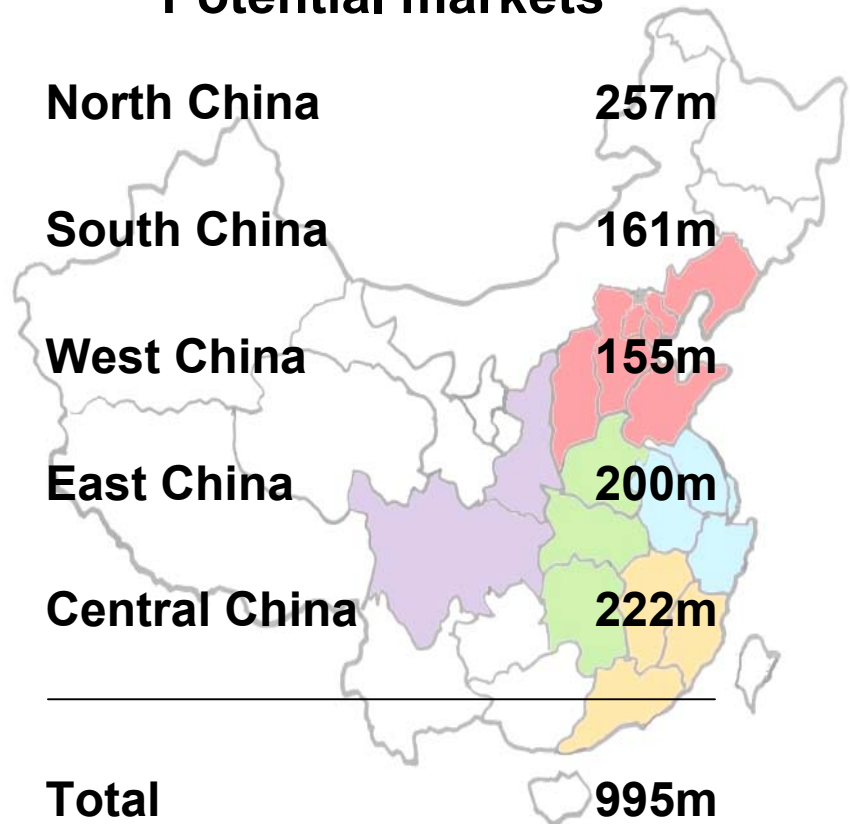
South China 161m

West China 155m

East China 200m

Central China 222m

Total 995m



Going forward : Managing our expansion

We will leverage the experience we have already built to manage our expansion

Targeted expansion

Resource

Speed to market

- **Robust market selection Criteria**
 - Population size and relative wealth
 - Level of competition
 - CITIC presence
- **Leveraging our people model**
 - Regional support
 - Expansion of leadership programme
- **Set up expertise**
 - Securing first mover advantage

Going forward : Our vision of the future

Regional centres will provide the infrastructure necessary to support growth



- **Regional hub ability**
 - Economic scale
 - Low cost
 - Pooling of resources and experience
- **Clear strategy, good execution**
- **Strong and proven management team**

Summary



- **Powerful joint venture relationship with a respected and influential local player in CITIC**
- **Built a strong platform in China after only 4 years**
- **Proven track record in establishing successful new operations**
- **Anticipated deregulation means step change in access**
- **Our platform already in place to manage the next stage of growth**