



# Prudential Seizing the Opportunity



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oportunitiad



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the  
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# **Our Growth Opportunities**

**Mark Norbom**  
Prudential Corporation Asia  
November 2004



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# **Growth Opportunities in Asia**

**Dan Bardin**  
Prudential Corporation Asia  
November 2004

# Growth map of Asia



## China

- Deregulation : Step change in growth

## Japan, Taiwan, Korea

- Distribution pioneers
- Focus on profitable segments

## Vietnam, India

- Leveraging our leadership position

## Hong Kong, Singapore, Malaysia

- Regional leadership
- People and best practice

## Thailand, Indonesia, Philippines

- Leading next stage of market development

# Markets for discussion today

Today we will give you a more detailed review of some of our key growth markets



**Chee Cheong**

- **Managing profitable growth**



**Huynh Thanh Phong**

- **Leveraging the platform**



**Shikha Sharma**

- **Leadership through innovation**



**Captain Chia**

- **Preparing for future growth**



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# Taiwan : Managing Profitable Growth

**Chee Cheong**  
PCA LIFE Taiwan  
November 2004

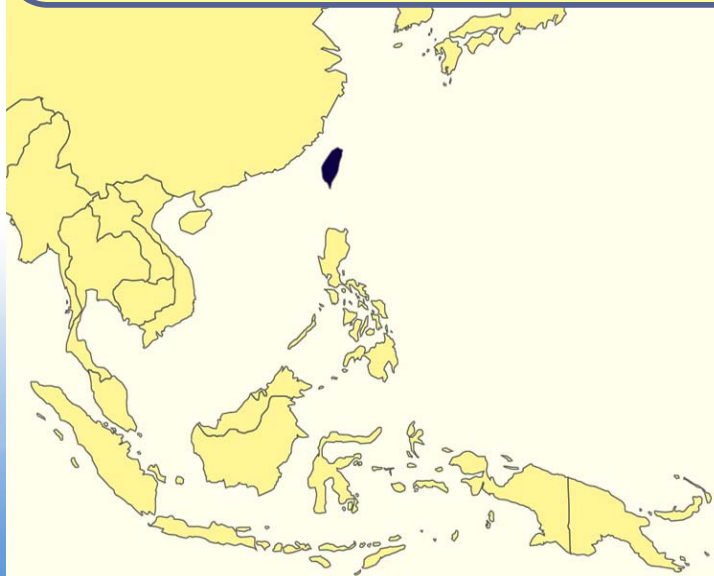
# Taiwan : Overview

## Country

<b>Population</b>	<b>22.5m</b>
<b>Insurance penetration*</b>	<b>8.28%</b>

## Life insurance market

<b>2003 APE</b>	<b>£3,594m</b>
<b>2003 Total Premiums</b>	<b>£18,753m</b>



## Characteristics

<b>No of competitors</b>	<b>29</b>
<b>Local players' share (2003 APE)</b>	<b>64%</b>
<b>Prudential entered in 1999 through acquisition of Chinfon Life</b>	

## Top 5 players - 2003 APE share

<b>Cathay Life</b>	<b>15%</b>
<b>Chunghwa Post</b>	<b>13%</b>
<b>Nan Shan (AIG)</b>	<b>12%</b>
<b>Shin Kong</b>	<b>8%</b>
<b>Far Glory</b>	<b>7%</b>
<b>PCA LIFE : No 11</b>	<b>3%</b>

# Key developments

The low interest rate environment has created irrational market practice

Low interest rate environment

Focus on single premium and short-term endowment

Bancassurance growth through deposit stripping

Pressure on overall profit margins

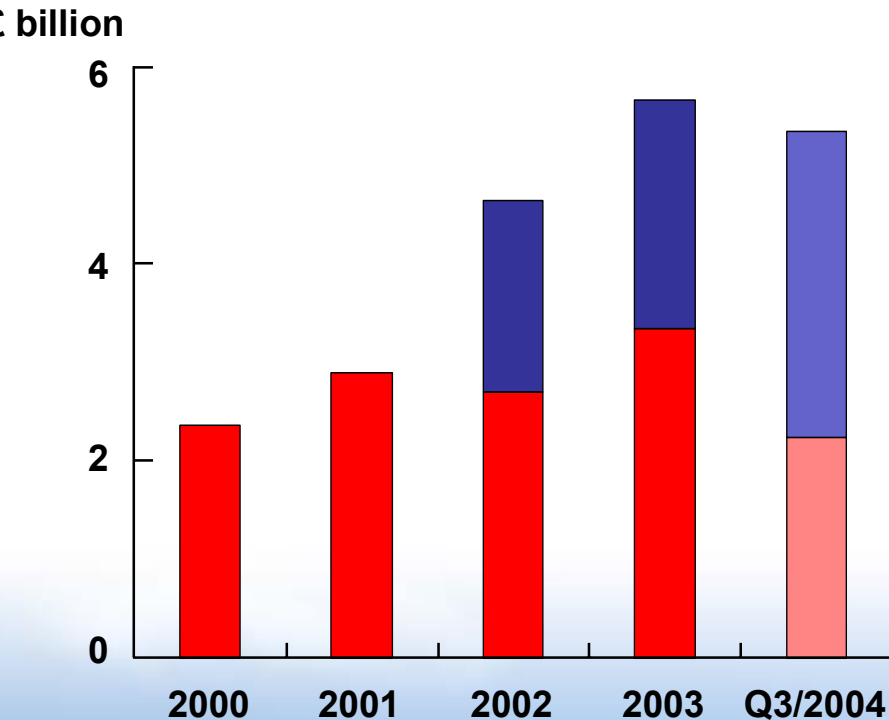
Hot sales – “Buy before price rise”



# Market context

Market growth fuelled by single premium sales and a focus on short term endowments

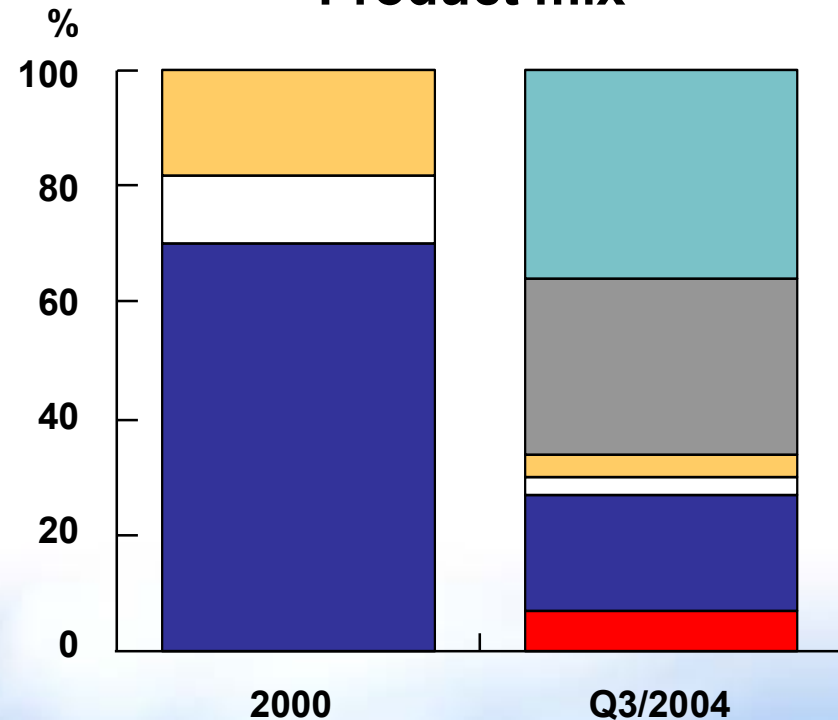
## Total sales



Single premium

Regular premium

## Product mix



Accident

Short-term endowment

Life

Unit linked

Annuities

Health

# Our approach : Business model



## Entry

- Acquisition of Chinfon Life

## Product

- First mover in linked market
- Focus on profitable segments

## Brand

- Clear market differentiation to build brand name

## Distribution

- Rapid expansion of agency
- New model for partnerships

## People

- Value people as key assets
- Attract, develop and retain top talent

# Our approach : Product portfolio

We have gained first mover advantage in linked business



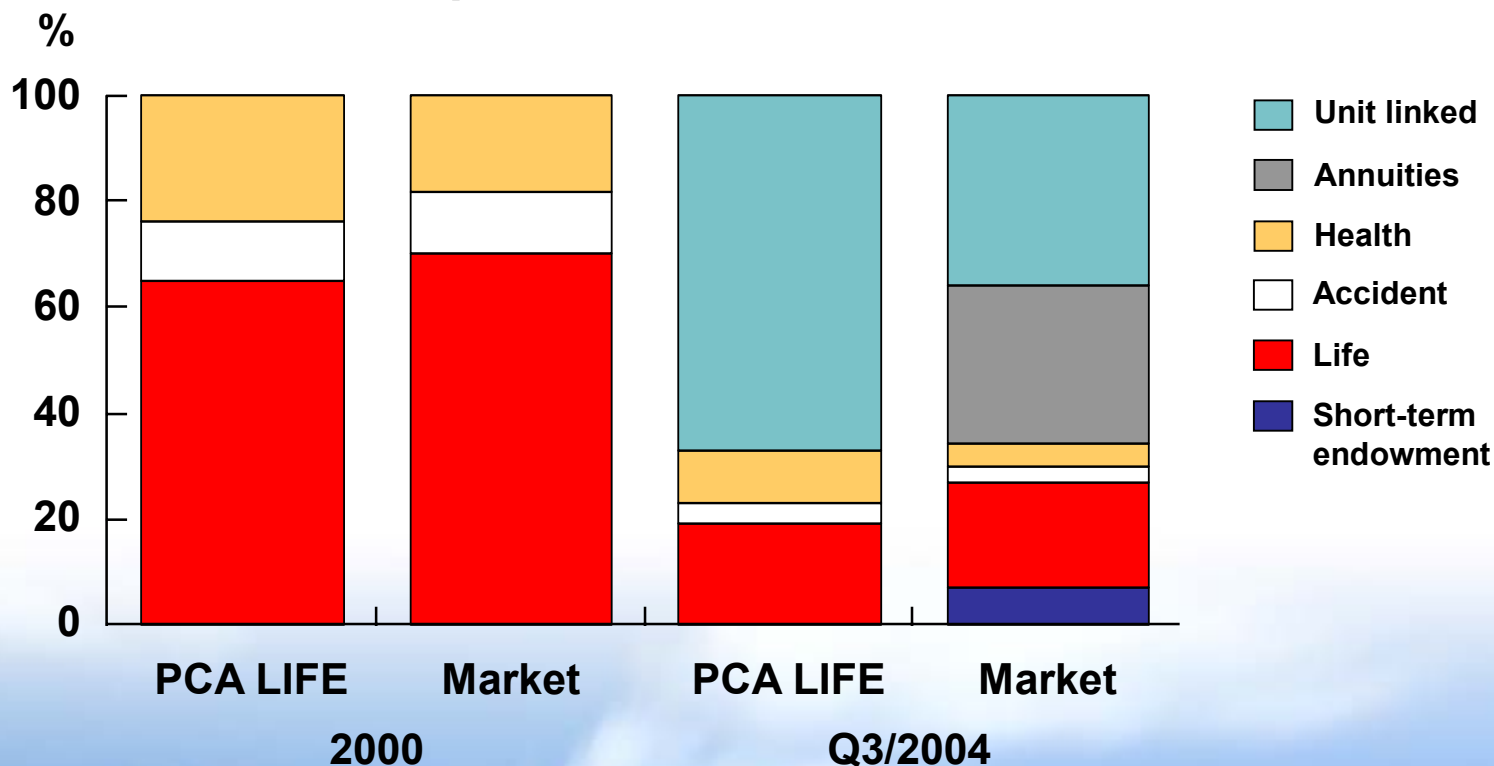
- Largest ULP customer pool, 100,000 by June 2004
- Focus on long term protection and savings needs
- Offer comprehensive rider options
- Synergy with PCA SITE\* in Taiwan on fund options



# Our approach : Product mix

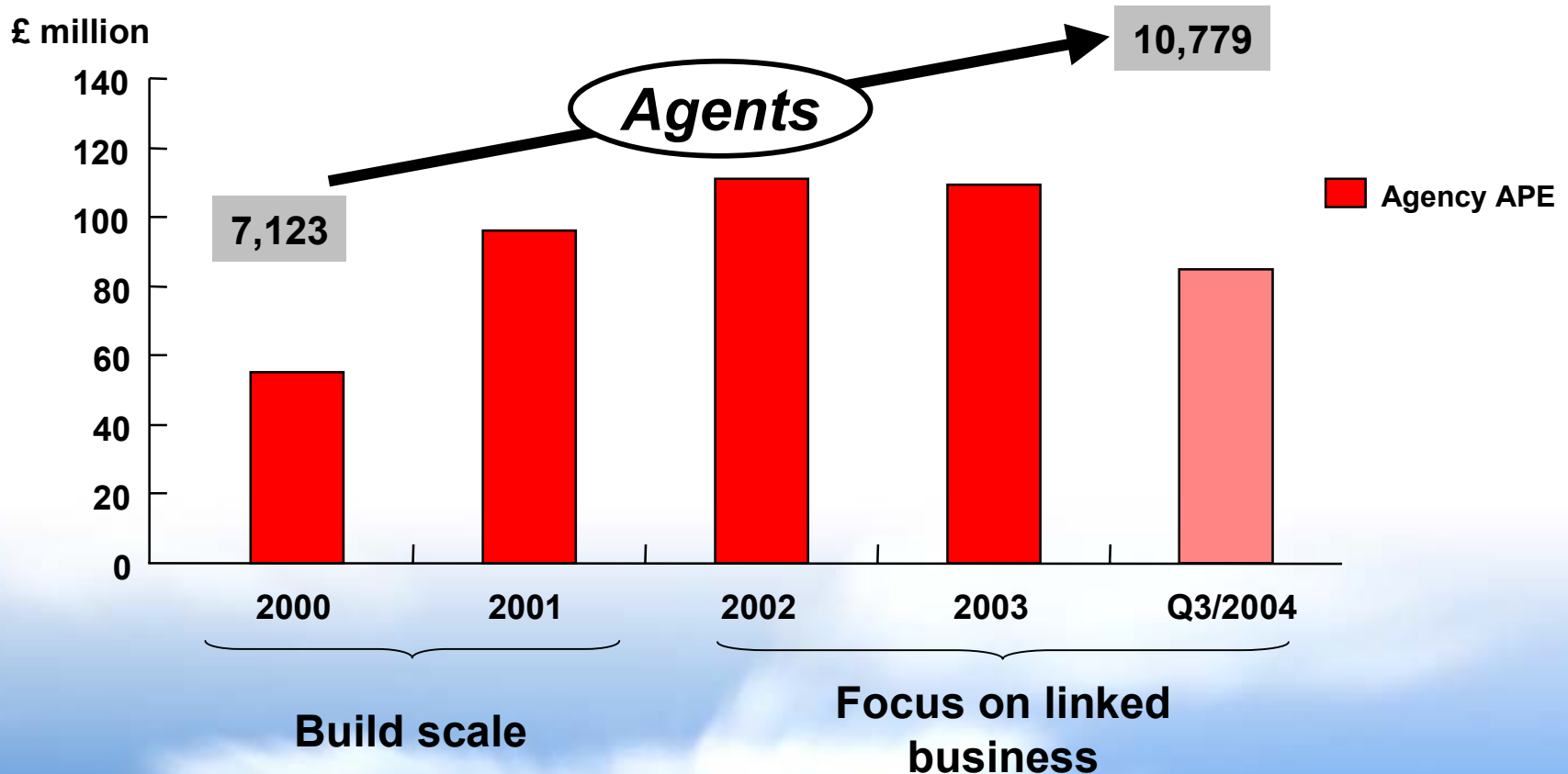
We have built a strong position in linked and avoided low margin segments

## PCA LIFE product mix – Total sales



# Our approach : Agency growth

We have maintained growth in sales and size of our agency force

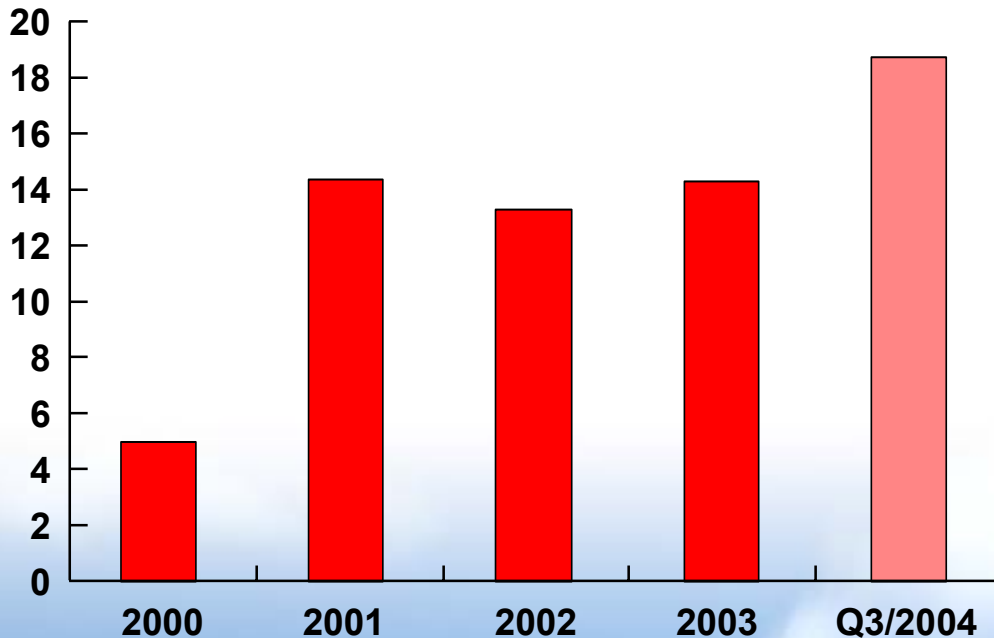


# Our approach : Partnerships distribution

We have built a differentiated model for non-agency distribution

## Non-Agency APE

million



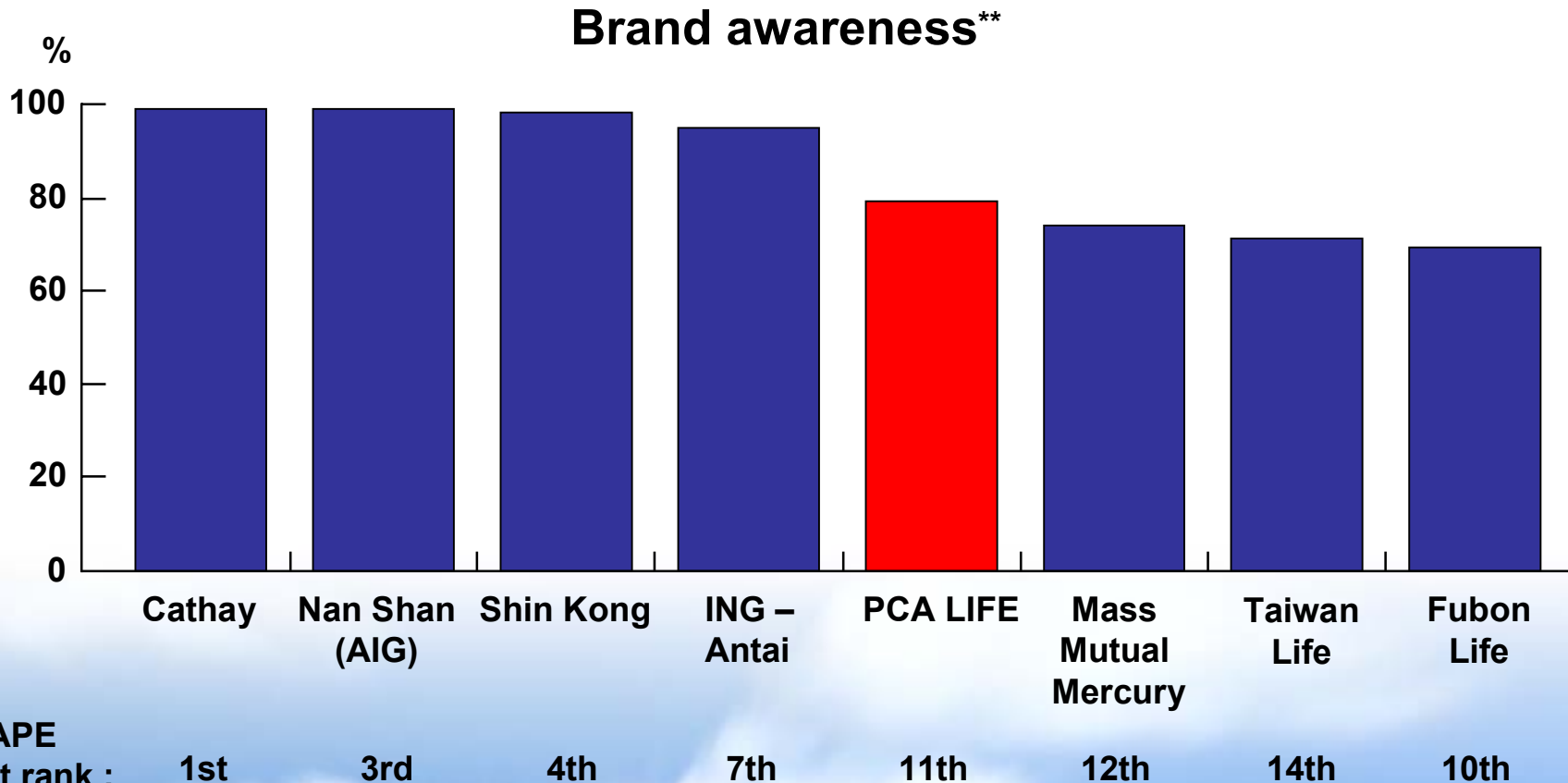
- 5 different non-agency relationships in place
- Focus on multi-channel bancassurance
  - Telemarketing
  - Financial consultants
- E-Sun Bank partnership signed February



玉山金控  
E.SUN FHC

# Our approach : Brand position

Voted one of the 5 “Best Life Insurers” in Taiwan\*



2003 APE

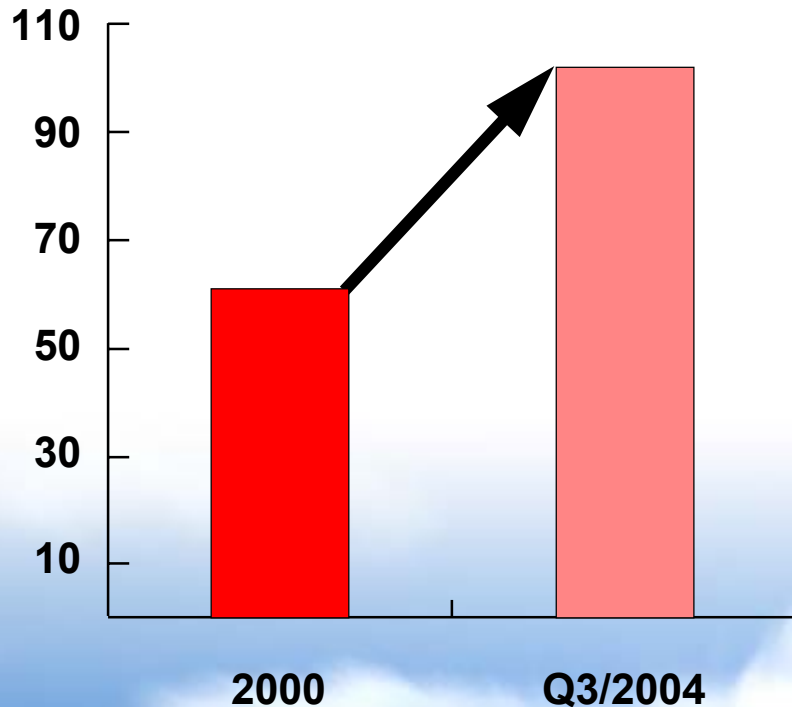
Market rank :

# Our results

Our strategy has resulted in impressive APE and NBAP margin performance

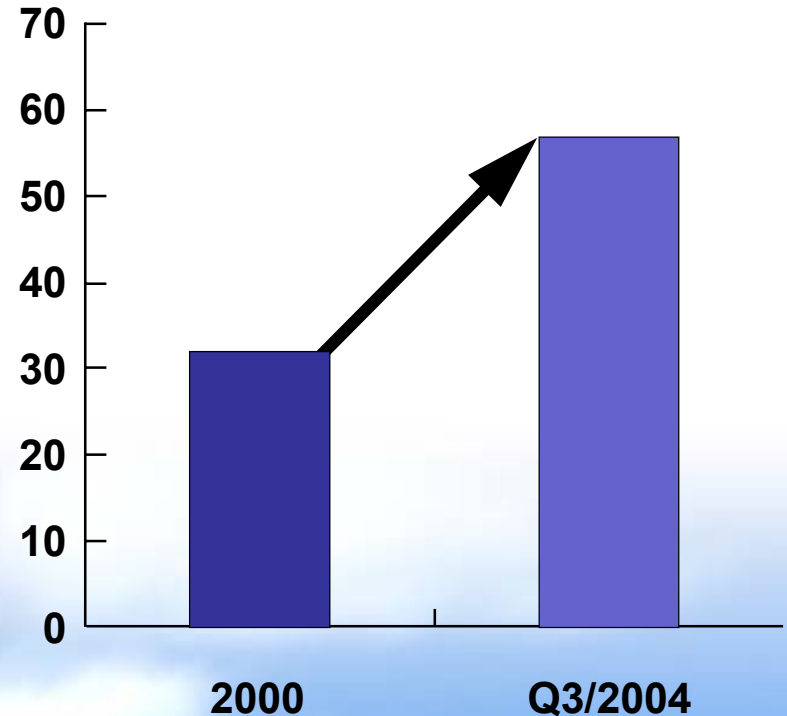
## APE

million



## NBAP margin

%



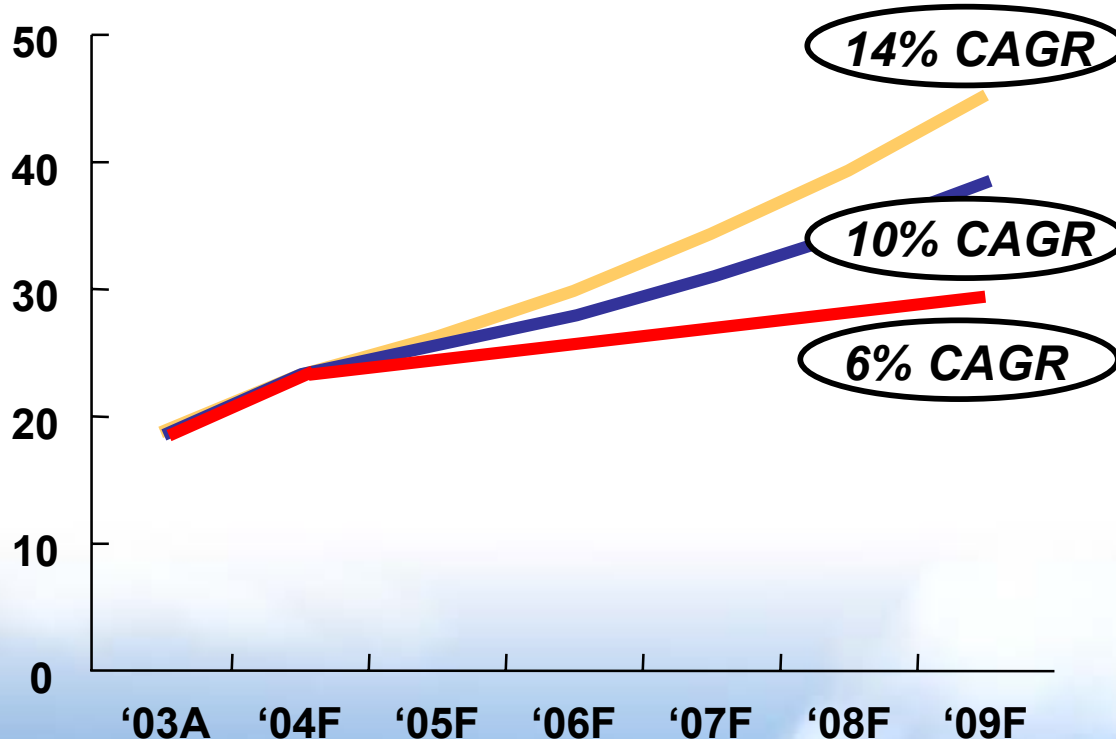


# Going forward : Market opportunities

The market still has plenty of growth potential

€ billion

## Premium growth



- Further expansion expected from bancassurance
- Pensions reform to open up new product segment for participation

— Deutsche Bank — Thompson Dialog — Swiss Re



# Going forward : Our strategy

**Our strategy focuses on leveraging our current business model for sustainable and profitable growth**

## **Distribution**

- Focus on improvement in agency productivity
- Build on our differentiated bancassurance model

## **Product and customer**

- Maintain focus on unit linked and profitable segments
- Customer centric focus

## **Brand**

- Build on advantaged brand position to access broader customer set and increase linked growth



# Summary

- **A highly differentiated position built in the Taiwan market**
  - First mover in unit-linked products
  - Selective product participation strategy
  - Strong agency platform and growing partnerships distribution
- **Differentiation translated into robust profit performance and strong brand position despite difficult market conditions**
- **People strategy aimed at valuing people as key assets and attracting, developing and retaining top talent**
- **Leverage current platform to continue driving sustainable and profitable growth**



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# **Vietnam : Leveraging the Platform**

**Huynh Thanh Phong**  
Prudential Vietnam  
November 2004

# Vietnam : Overview

## Country

**Population** 81m

**Insurance penetration\*** <1%

## Life insurance market

**In-force premiums** £78m

**2003 new premiums** £167m

**Total premium volume** £245m



## Characteristics

**Public monopoly set up 1996 (Bao Viet)**

**Opened to foreign insurers 1999**

**Second foreign license acquired by Prudential**

## Top 5 players

**Prudential**

**BaoViet**

**Manulife**

**AIA**

**BaoMinh-CMG**

# Vietnam : Political structure



- **Form of State** : One party rule (Communist Party of Vietnam)
- **The Executive** : Cabinet constitutionally responsible to elect National Assembly
- **Head of State** : President (appointed by National Assembly)



# Vietnam : Demographic profile

## Young population with growing urban centres

- **Population** : 81 million
  - : 75% in rural areas
- **Major urban centres** : Hanoi and Ho Chi Minh City (HCMC)
- **Second tier cities** : Haiphong, Cantho, Danang
- **Very young population** : 35% under 15
  - 1 million enter work force each year
- **High literacy rate** : 89%
- **Life expectancy** : 67

# Vietnam : Opening up to the world

## An emerging diversified economy

- **Economy a basket case late '80s and early '90s**
- **Opened to foreign investment in early '90s**
- **Impressive achievements :**
  - Poverty reduction
  - Education
  - Public health

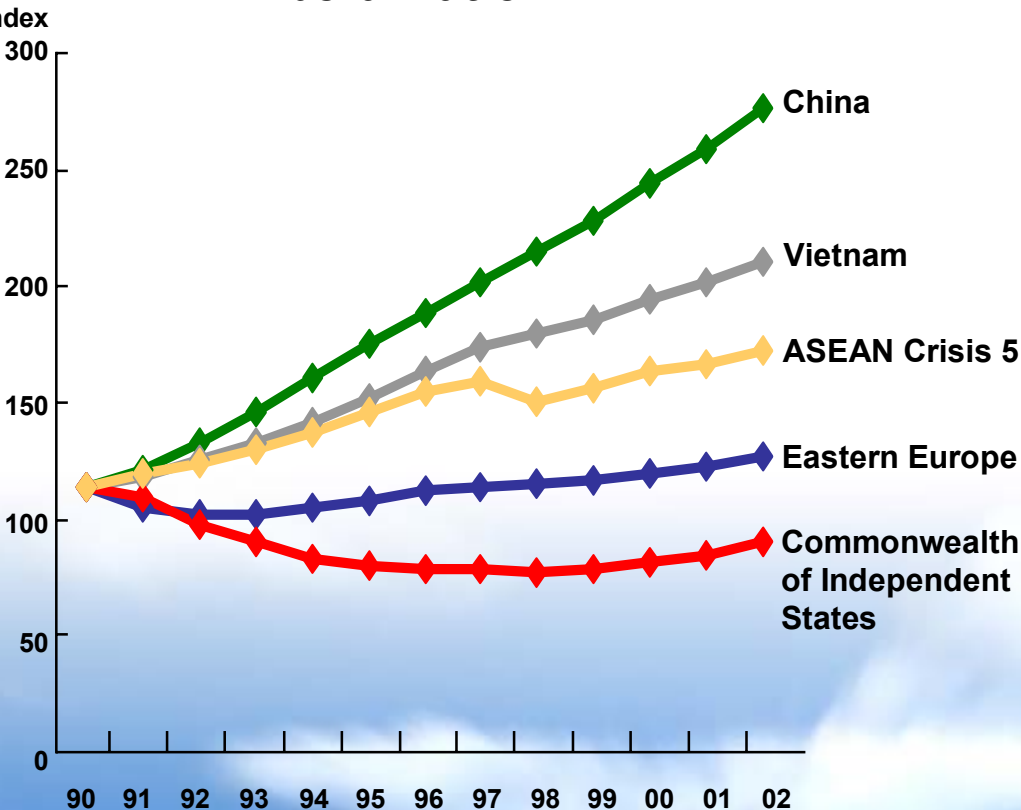
<b>Emerging diversified economy</b>	<b>1990</b>	<b>2002</b>
<b>No of domestic enterprises</b>	<b>110</b>	<b>70,000</b>
<b>No of foreign enterprises</b>	<b>108</b>	<b>2,400</b>
<b>Share of private sector non-oil exports</b>	<b>3%</b>	<b>65%</b>
<b>Share of FDI in industrial output</b>	<b>9%</b>	<b>36%</b>



# Vietnam : Economic profile

Less developed country but with impressive GDP growth

## GDP growth since market liberalization



- **Less developed country**

- Total GDP : £24 billion (2003)

- GDP per capita : £270 (2003)

- **Household income**

- Higher in Ho Chi Minh City and Hanoi : £2,300

- **Export**

- Low value-added products and raw commodities

- 47% of GDP



# Prudential in Vietnam



# Our approach : Business model



## Entry

- Greenfield
- First mover advantage

## Product

- Simple
- Savings oriented

## Brand

- Big Bang approach to build leadership profile

## Distribution

- Focus on tied agency
- Rapid build of critical mass

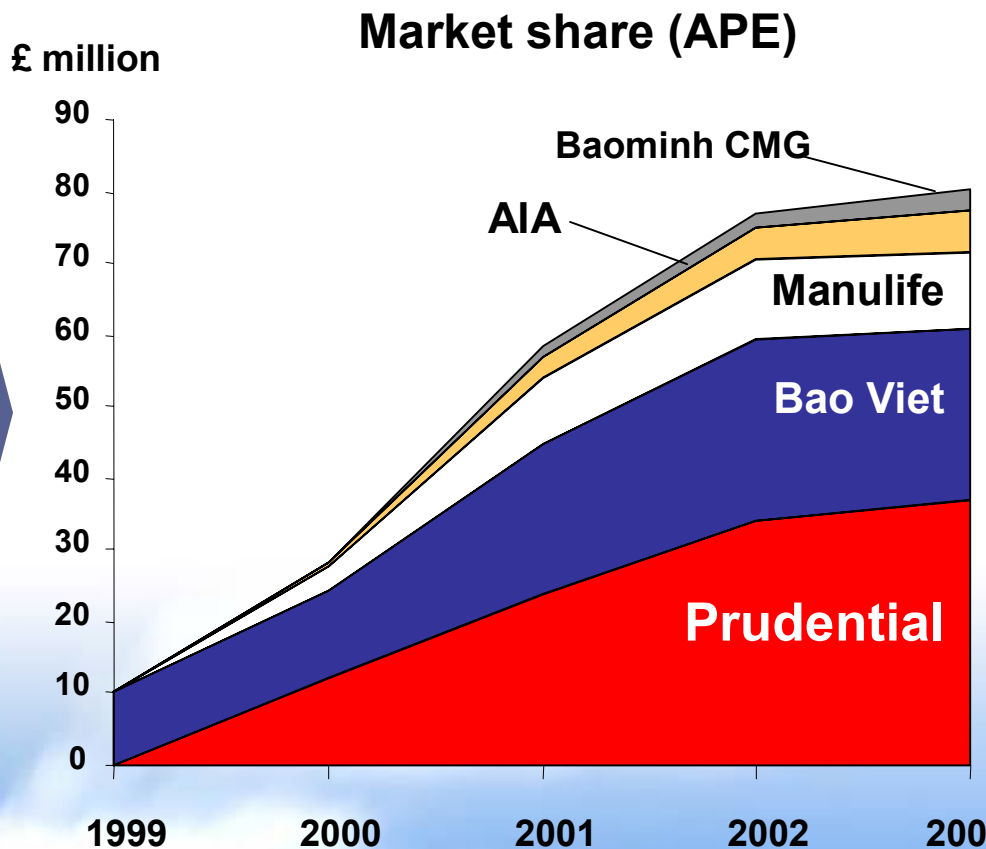
## Operations

- Significant investment in infrastructure and people
- Adapt regional best practice

# Our approach : First mover advantage

First mover advantage has allowed us to achieve leadership position

- Recognition of market potential
- Effective lobbying of regulator
- Team in place 3 years before launch
- Build process completed before receiving licence



# Our approach : National coverage

We have built a truly national distribution network



## Number of branches

	2000	2004
Ho Chi Minh City	2	11
Hanoi	2	4
Da Nang		2
Hai Phong		2
Red River Delta		4
North East		8
North West		1
North Central Coast		5
South Central Coast		5
Central Highland		2
South East		9
Mekong River Delta		16

# Our approach : Simple product offer

We have designed simple, easy to understand products suited to the early stage of the market's development

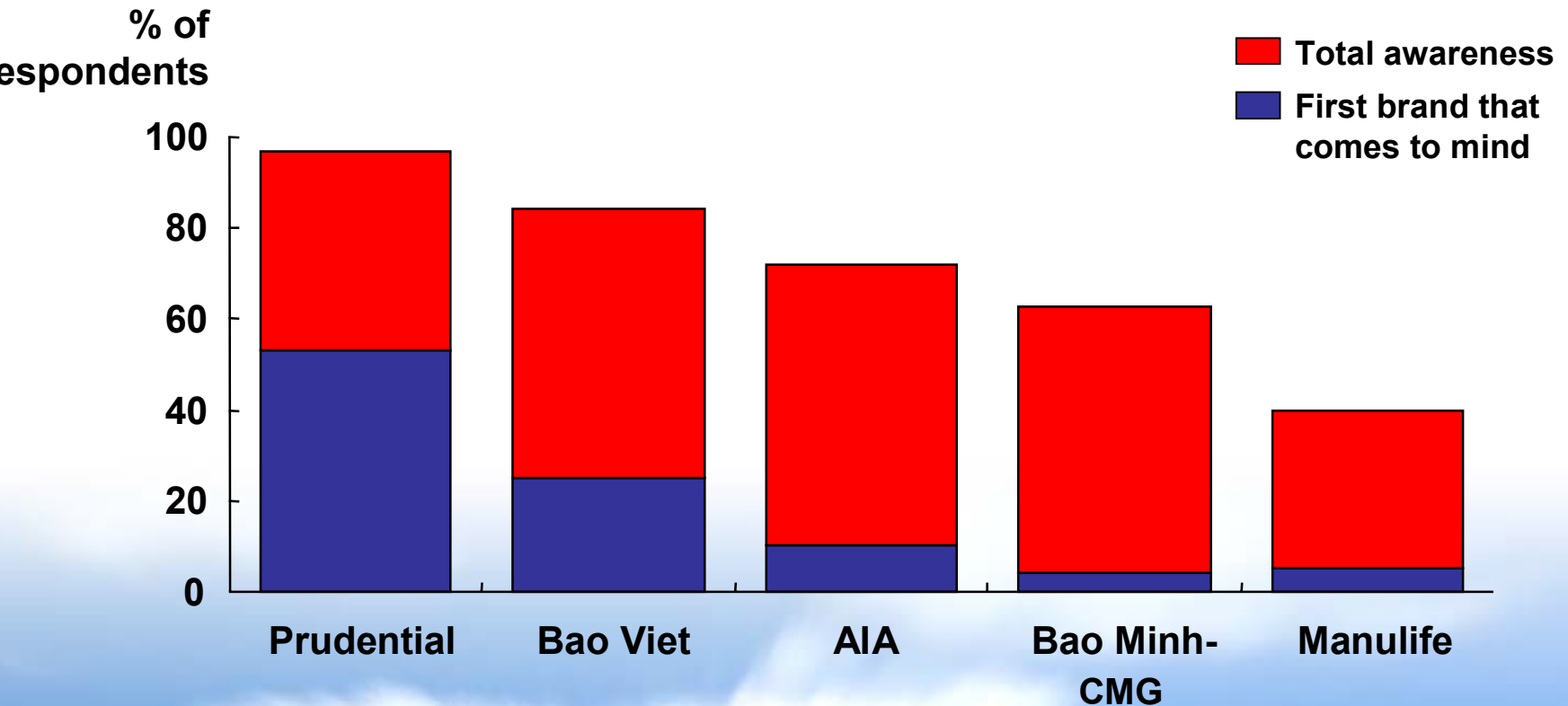


- **Focus on unmet needs of customers**
  - Children education financial planning
  - Regular saving plan
- **Package basic plans with riders**
- **Simple illustration of benefits**

# Our approach : Brand recognition

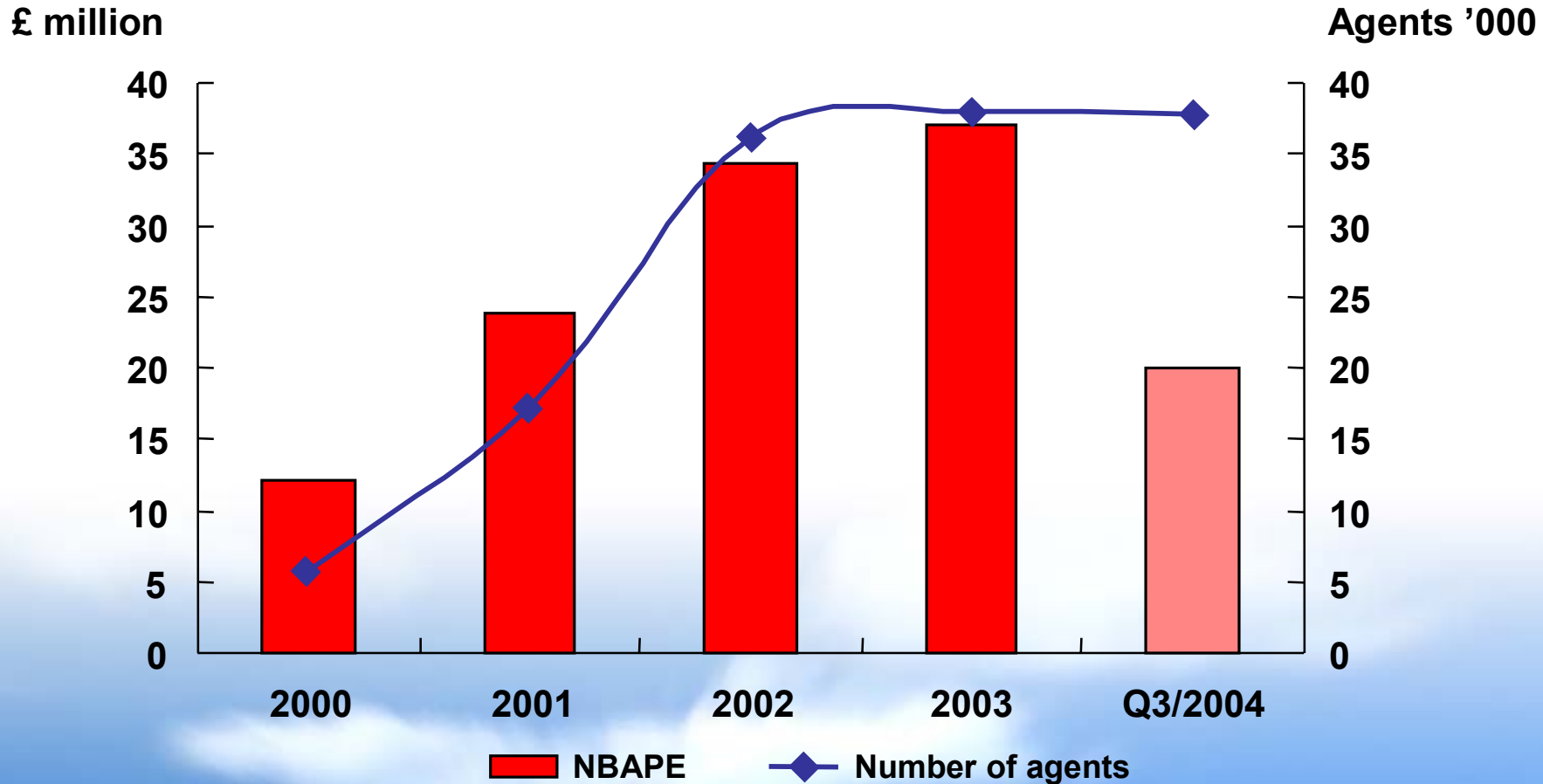
Our Growth has been supported by enviable brand awareness relative to competitors

## Brand awareness



# Our approach : Critical Mass

Critical mass has been achieved and we are moving to the next stage of market development



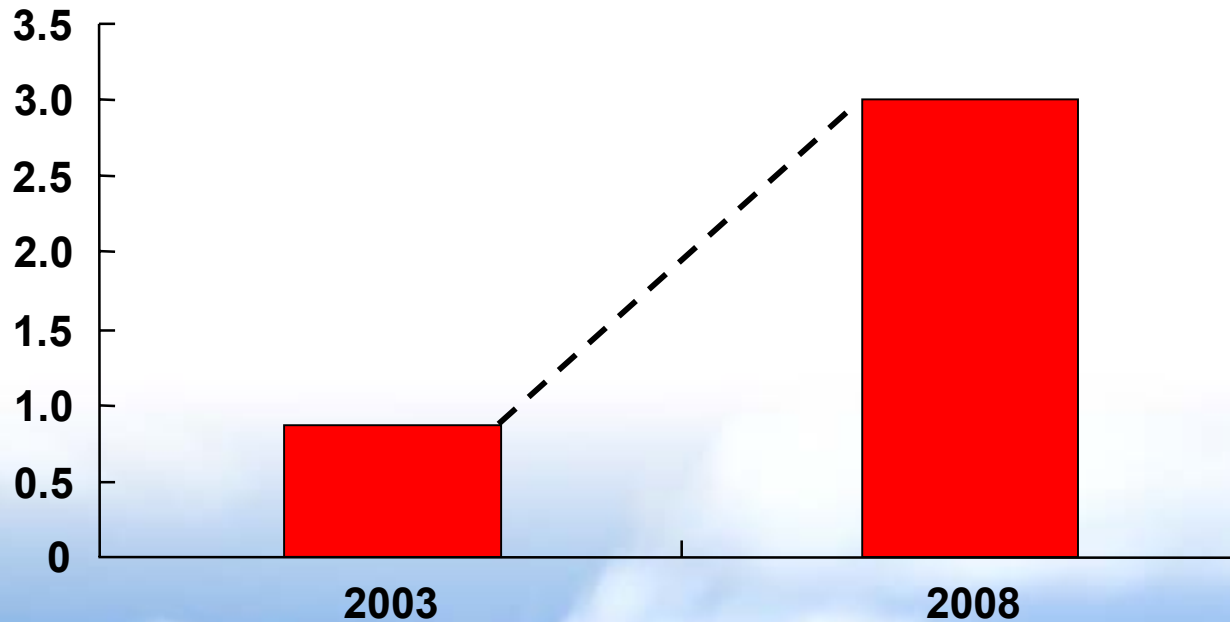


# Going forward : Market opportunities

The market is still in the very early stages of development

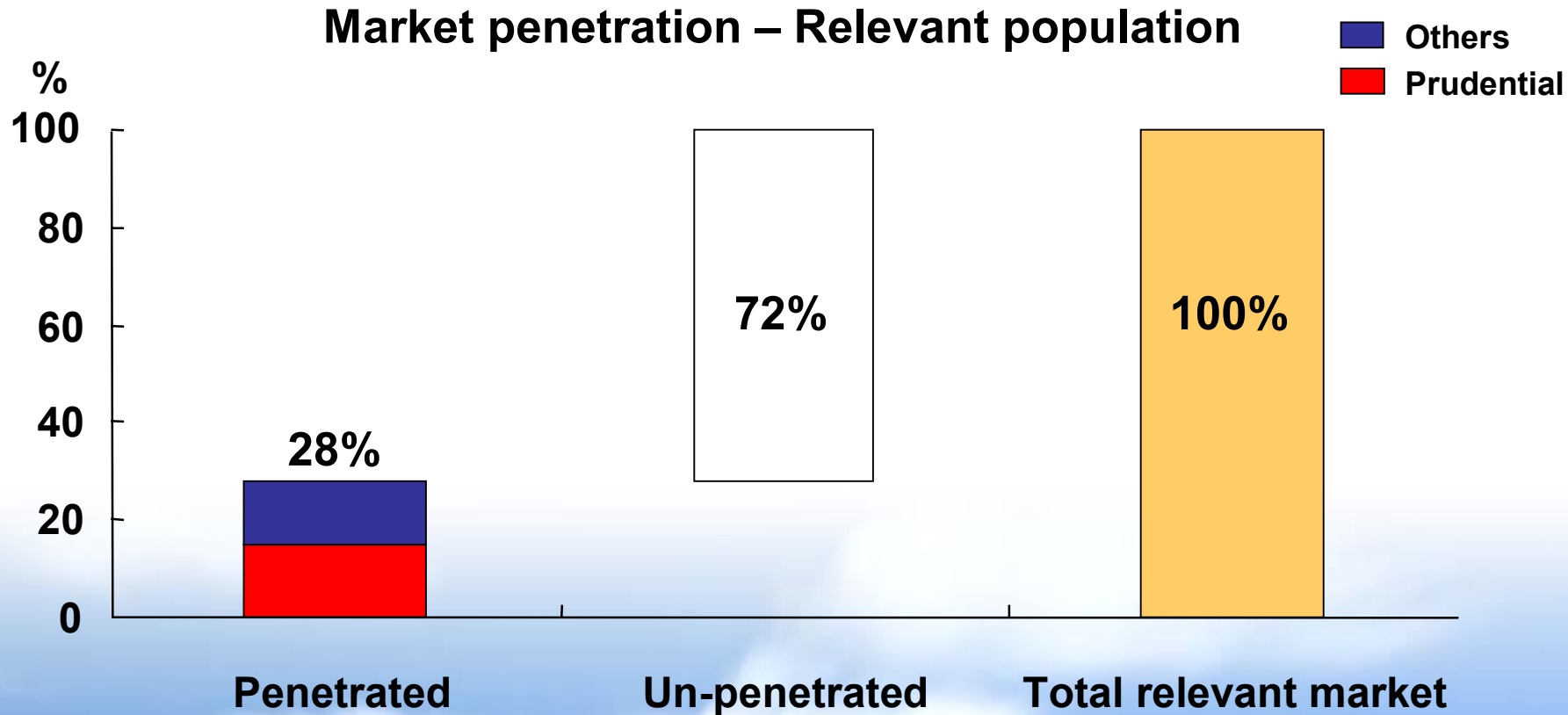
## Growth in insurance penetration

Life premiums /  
GDP %



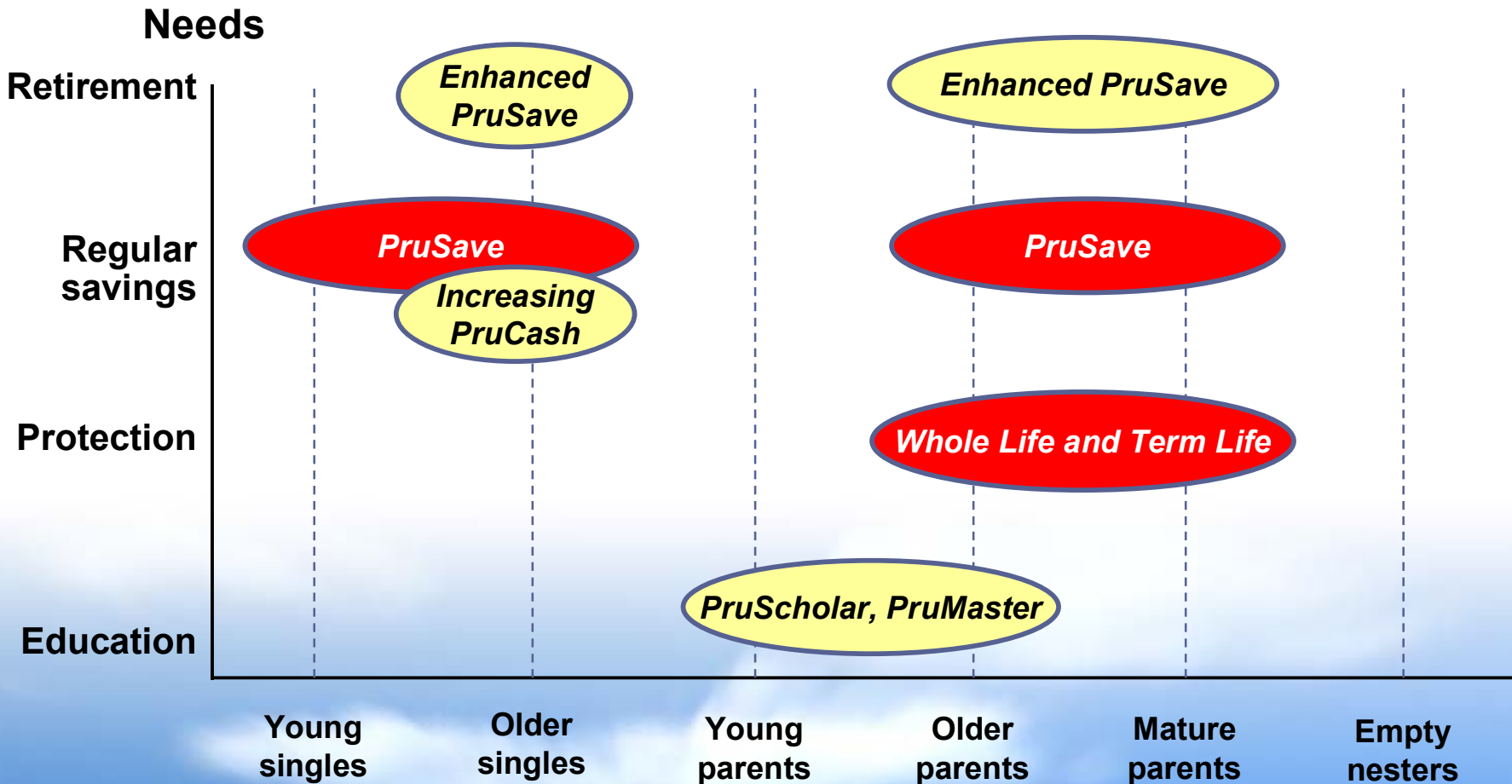
# Going forward : Market opportunities

We have only just started penetrating the accessible customer base



# Our strategy : Product expansion

Expansion of our product portfolio will attract a broader segment of customer to our business



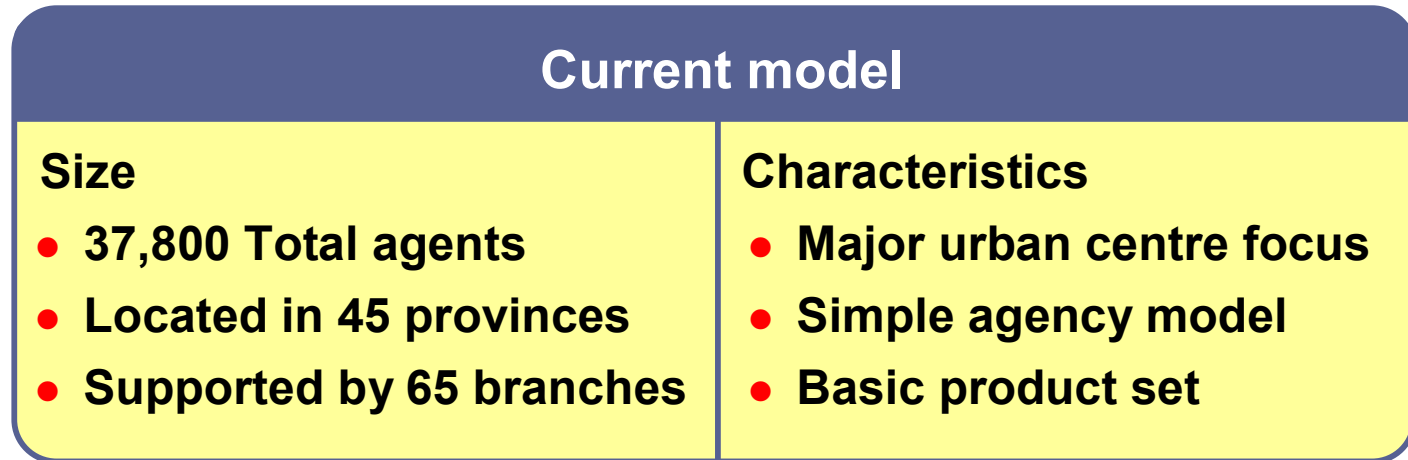
# **Vietnam**

**Pioneering retirement savings category**

**How to motivate a young population to take action?**

# Our strategy : Leveraging our distribution

We will migrate our distribution network to the next stage of development



**Expand to provinces  
to increase scale**

**Segment to  
improve efficiency**

**Enhance productivity  
via training and  
more products**

# Our Strategy: Leveraging the Platform

We will continue to drive the next stage of market development in Vietnam



## PRUDENTIAL

- National network
- Powerful brand
- Comprehensive infrastructure
- Quality people

- Develop new product segments
- Motivate new customer savings and protection behaviour
- Build on our distribution
- Work with regulator to be a financial services pioneer in Vietnam



# Summary

- **Prudential has built a market leading business**
- **First mover advantage has given us a strong lead over our competitors**
- **Economic and demographic drivers of growth remain positive, as Vietnam continues to catch up with other emerging markets**
- **Significant growth opportunities remain**
- **We will build on the platform we have created to grow our leadership position in the market**



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# **India : Leadership through Innovation**

**Shikha Sharma**  
ICICI Prudential Life Insurance  
November 2004



# India : Overview

## Country

Population 1,055m

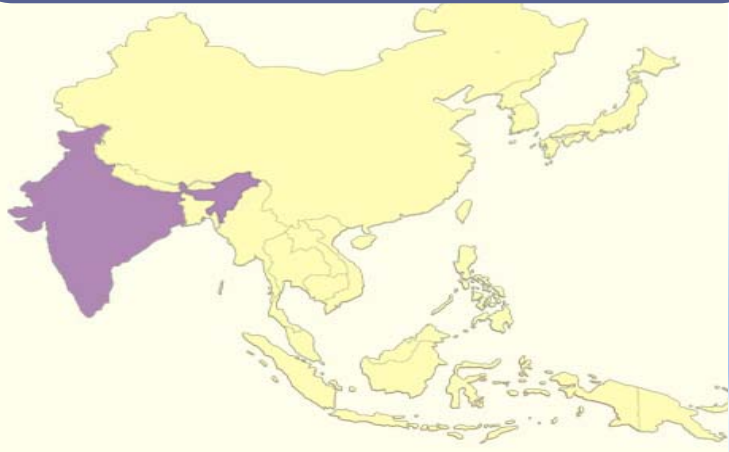
Insurance penetration\* 2.2%

## Life insurance market

In-force premiums £5.2b

FY'04\*\* new premiums £1.6b

Total premiums £6.8b



## Characteristics

Pre-2000 : Public monopoly

Market deregulated in 2000

Prudential entered in 2000 through joint venture with ICICI

## Top 5 players

Life Insurance Company in India (LIC)

**ICICI Prudential**

Birla Sun Life

Bajaj Allianz

TATA AIG



# Insurance industry prior to deregulation

**Prior to deregulation in 2000, market was a public monopoly with limited focus on customer needs**

- **Public monopoly**
  - 2,000 offices
  - Over 800,000 agents
- **Distribution through tied agents only**
- **“Push” sales approach purely on a tax savings platform**
- **Traditional style product offering : Endowment and money back plans**
- **Inflexible and inadequate products**
- **Pensions : Small part of product offer**
- **Limited focus on customer needs**

# Our approach : A new life insurance model for India



## Entry

- Joint venture entry platform
- Strong, respected partner

## Product

- Comprehensive portfolio
- Innovative and flexible

## Brand

- Creation of a superbrand

## Distribution

- Rapid expansion of agency
- Multi-channel platform

## Operations

- Best in class
- Customer centric

## People

- Talent from diverse industries

# Our approach : Our joint venture partnership

We have built a powerful joint venture partnership with a highly innovative, market leading local player

**Brand strength**

**Infrastructure**

**Customer base**

**Market innovators**

**Local knowledge**



**Reputation**

**Insurance expertise**

**Product**

**Distribution**

**Operation**



# Our approach : Our rapid expansion of agency

We have created a large-scale, nationwide agency network

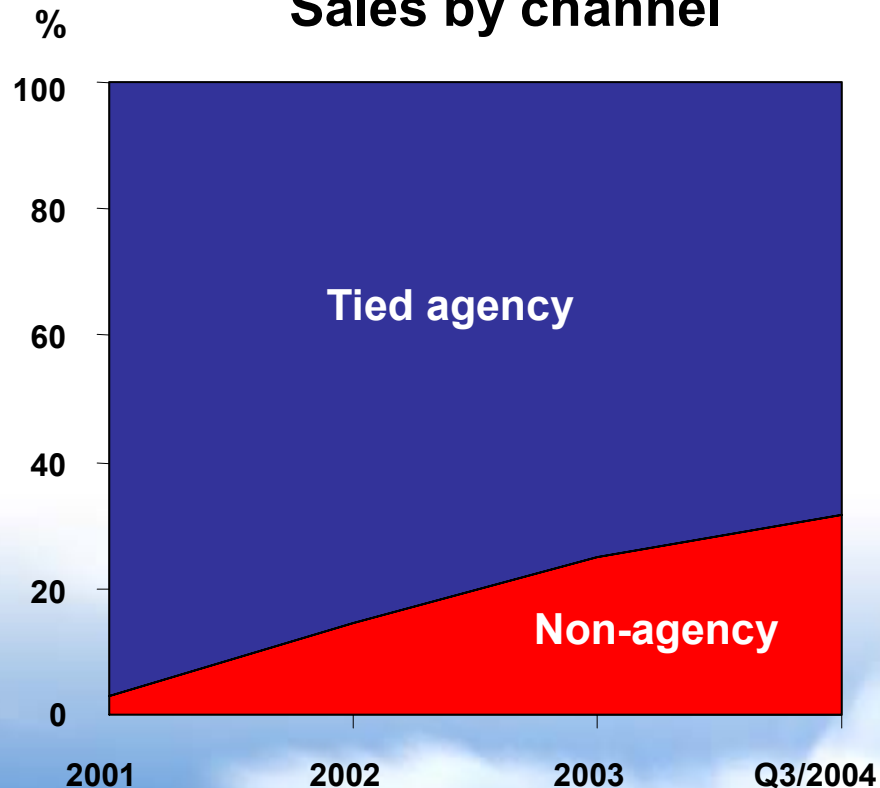
	Mar 2002	Mar 2003	Mar 2004	Sept 2004
<b>Locations</b>	<b>13</b>	<b>25</b>	<b>54</b>	<b>66</b>
<b>Branches</b>	<b>14</b>	<b>29</b>	<b>70</b>	<b>88</b>
<b>Advisors</b>	<b>10,000</b>	<b>18,000</b>	<b>33,000</b>	<b>41,000</b>

- Initial years, emphasis was on expanding the reach
- Now, penetrating those cities for increasing market share
- Focus on sales and service processes to achieve higher penetration into High Net Worth (HNW) segment

# Our approach : Our multi channel distribution

At the same time we have created powerful non-agency channels

**Sales by channel**



- 800 Financial sales consultants
- 7 bancassurance partners
- 15 Key non-bank partners
- Direct and telemarketing

- Expands speed and quality of reach to customer
- Multi-channel approach for customer acquisition

# Our approach : Multi-product strategy

We have a comprehensive and innovative product portfolio

- **Customer centric product positioning based on customer life stage and income needs**
  - Retirement Solutions
  - Child Plans
- **Innovative and flexible product solutions**
  - Unbundling of benefits
  - Introduction of a variety of rider options
- **Focus on UL (Unit Linked and Universal Life) to address different risk-return customer profiles**
  - Capital efficient products

One million Indians sleep more soundly.  
One million policies insure it.

1600 22 2020  
Or call your advisor

**ICICI PRUDENTIAL**  
LIFE INSURANCE

We cover you. At every step in life.

Member of the largest family of the world's. ICICI Prudential Life Insurance Company Limited.

Just like you, Smart Kid leaves nothing to chance.

**Smart Kid**  
Child Plan

1600 22 2020  
Or call your advisor

**ICICI PRUDENTIAL**  
LIFE INSURANCE

We cover you. At every step in life.

2830 7877  
Or call your advisor

Age 35 - visits to doctor, 2 times  
Age 70 - visits to doctor, 22 times  
Will your savings be enough?

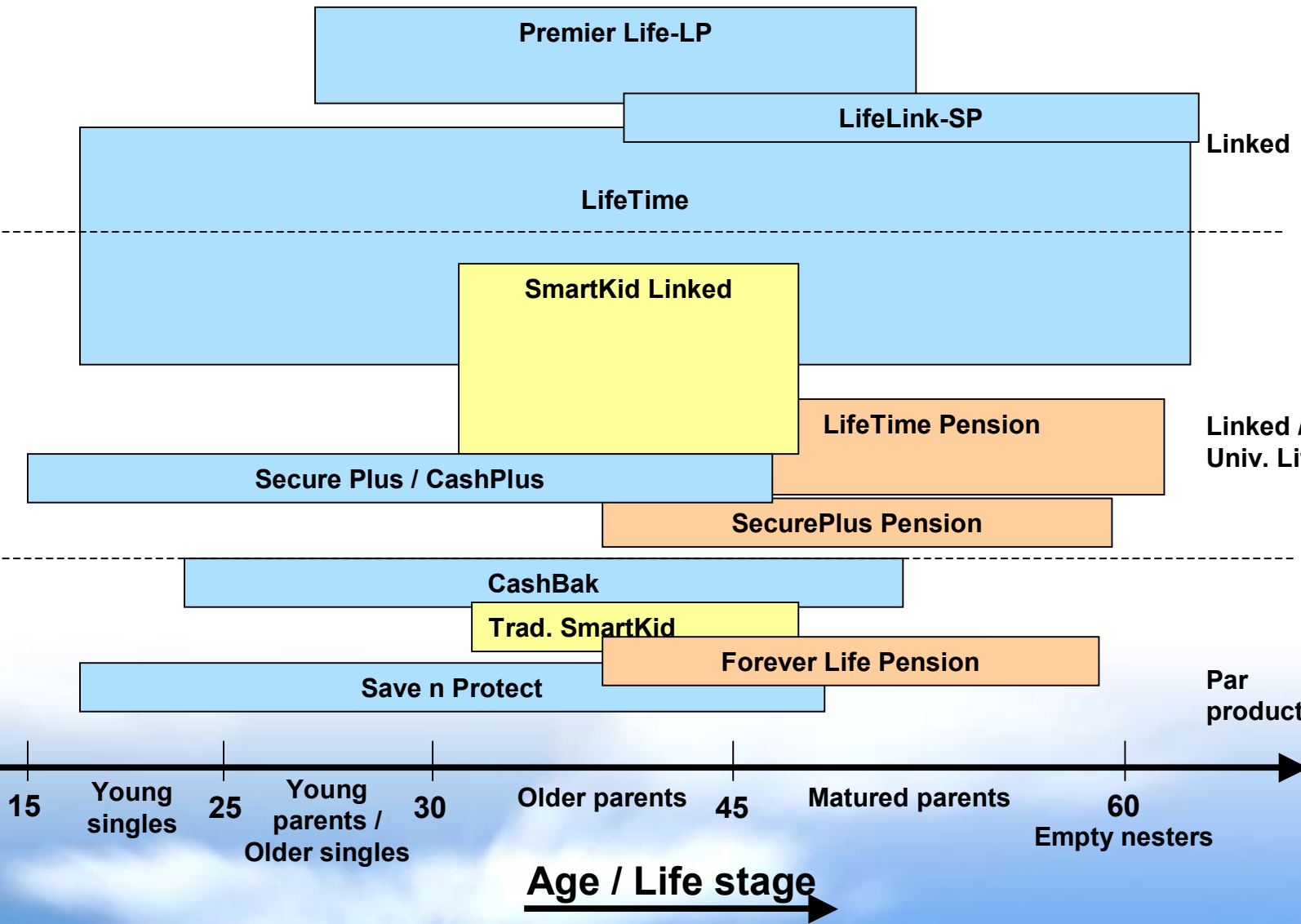
**Retirement Solutions**

**ICICI PRUDENTIAL**  
LIFE INSURANCE

We cover you. At every step in life.

# Our approach : Product coverage

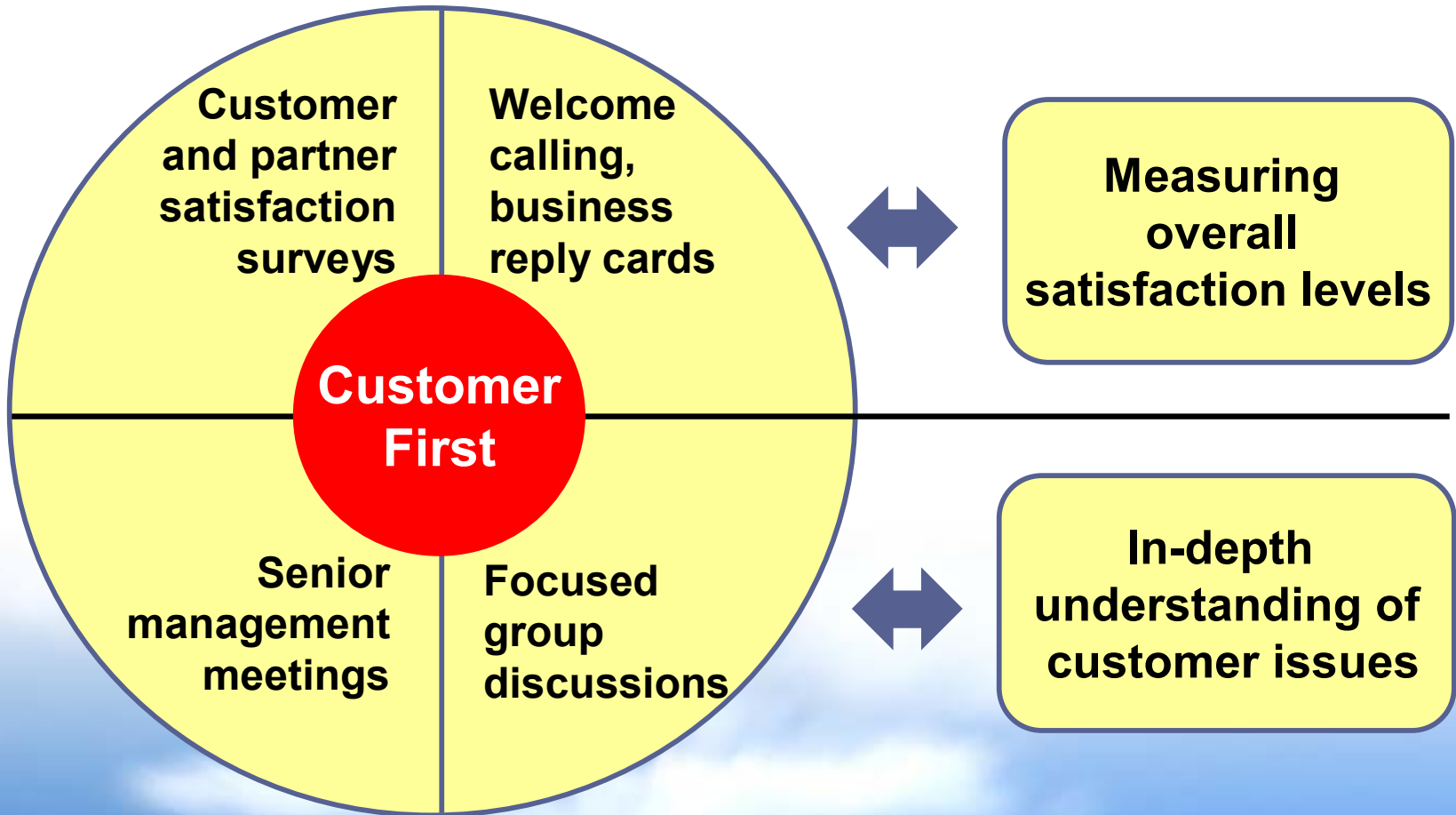
Income ↑





# Our approach : Active listening

Front line sales growth is supported with a strong VOC Framework





# Our approach : Operational excellence

**Robust operational structure to balance the growth**

- **Operational and Investment risk management framework**
- **Operational efficiency**
  - monitoring core delivery processes using the Six Sigma methodology
  - Financial control through active cost management
- **Claims experience analysis**

# Our approach : Creation of a superbrand

Our success has been recognised by our customers and our industry peers



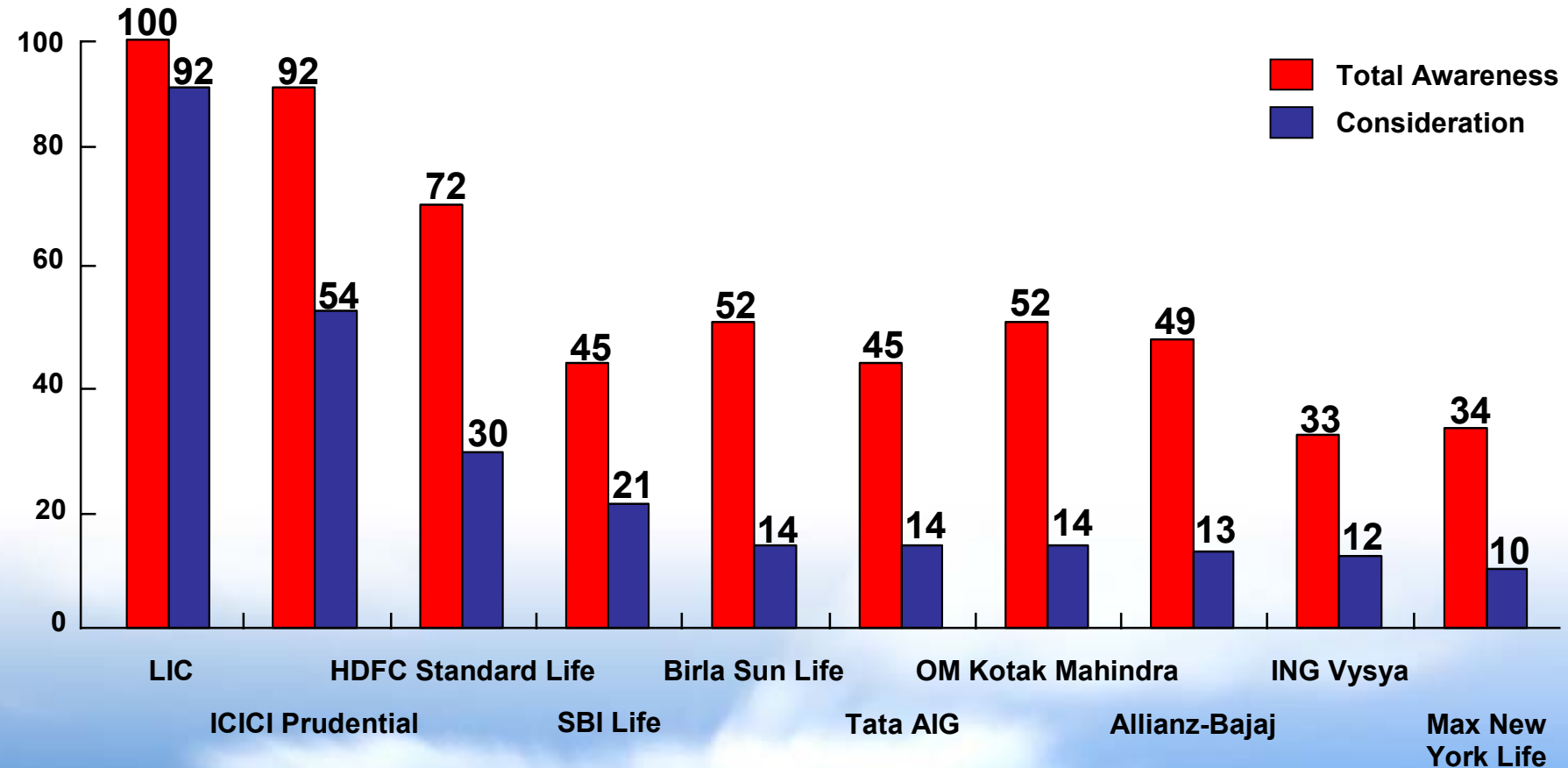
- **“The Most Trusted Private Life Insurer”** :  
*Economic Times AC Nielsen survey, 2003*
- Best Life Insurer of 2003-04 from Outlook Money :  
Two consecutive years
- 2004 Award for Excellence from Institute of Marketing  
and Management



Only private life insurer awarded  
in India

# Brand saliency and purchase consideration

54% would consider ICICI Prudential for buying a policy in the next 1 year

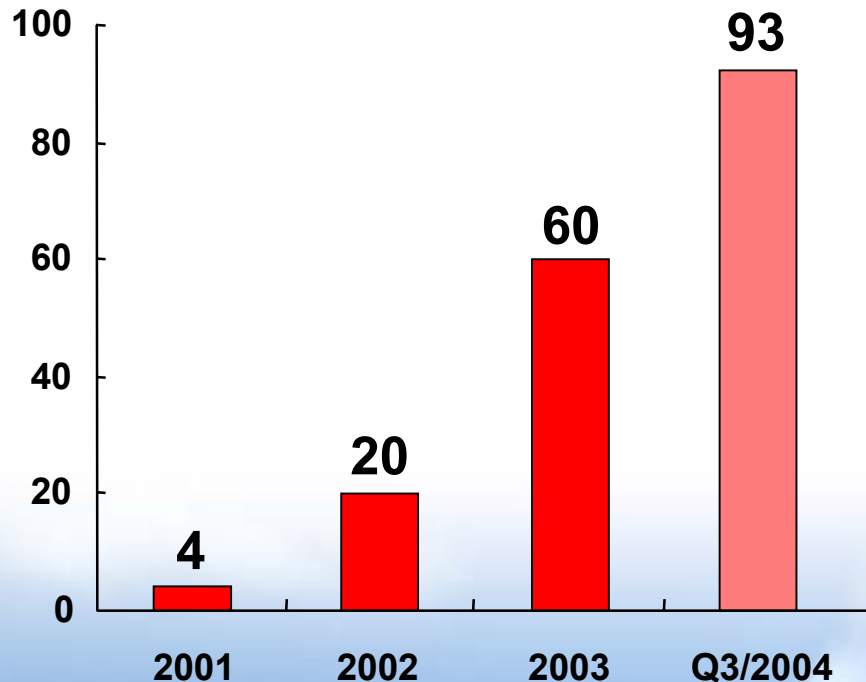


# Our results

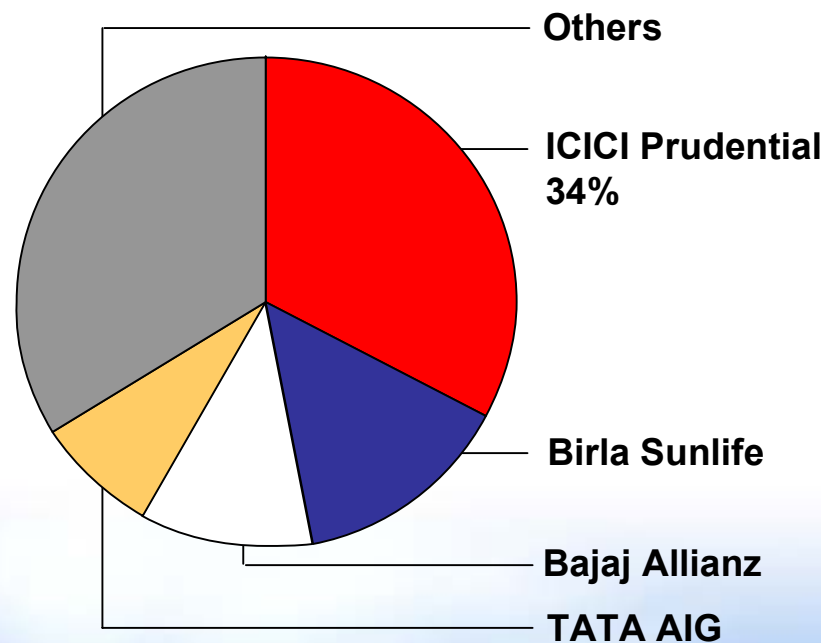
## Exponential growth and leadership of the market

### APE Growth (100% basis)

million



### Retail market share (private players)

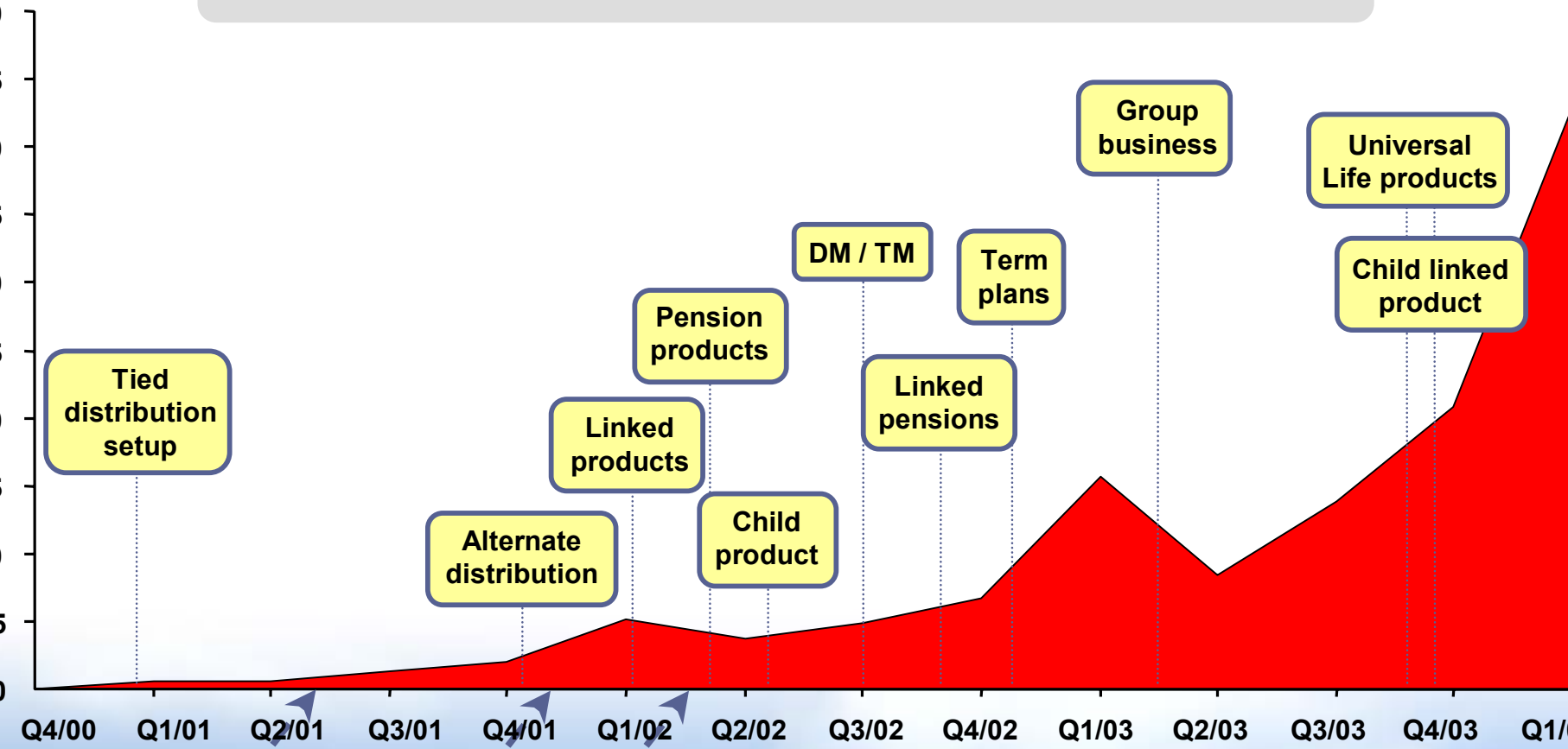


***Crossed 1 million policies in September 2004***

# Our results : Strategic milestones

**Market Leadership through executional excellence**

PE (£ million)



Risk management framework and Investment in technology

BCP

Quality initiative



# Growth opportunities

**Need for further expansion to improve penetration and reach**

- **Current operations in 66 cities with established branches, constituting 67% of the urban market**
- **Low penetration in these 66 cities, with advisor density of only 4.7 per '000 target market households**
  - Total households penetration : 8.5%
  - High net worth households penetration : 1.5%
- **Average sum assured of £2,500 – Industry average of £1,000**



# Going forward : Our strategy

## Distribution

- **Segmented distribution to improve productivity of the sales force**
- **Strong relationships within partnership distribution**

## Customer

- **Focus on needs based selling**
- **Product Offerings for group business**

## Operations

- **Hub and spoke model**
- **Quality Initiatives across delivery processes**

## Product

- **Innovation platform for product differentiation**

## People

- **Leadership and capability development**
- **Top talent management**





# Summary

- **Creation of a new model for life insurance in India**
- **Leadership in innovation supported through our strong partnership with ICICI**
- **Competitive differentiation translated into high sales growth and market share**
- **Robust growth opportunities through expanding penetration of our large-scale distribution network**
- **On-going focus on innovation to maintain our lead in the market**



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# **China : Preparing for Future Growth**

**Captain Chia**  
CITIC-Prudential Life Insurance  
November 2004

# China : Overview

## Country

**Population** 1,292m

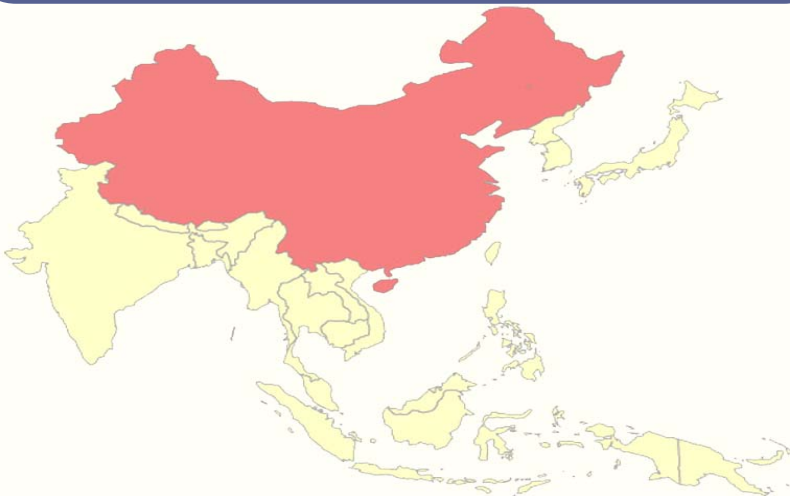
**Life Insurance penetration\*** 2.5%

## 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	
<b>Prudential UK JV</b>	<b>3</b>	<b>2000</b>	
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	
<b>Total players</b>	<b>20</b>	<b>Total foreign operations</b>	<b>42</b>

# 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

- 
- A yellow map of the Asia-Pacific region, including India, China, and Southeast Asia, is overlaid on a blue sky background with white clouds. The map is used as a visual aid for the text describing the company's expansion strategy in the region.
- **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

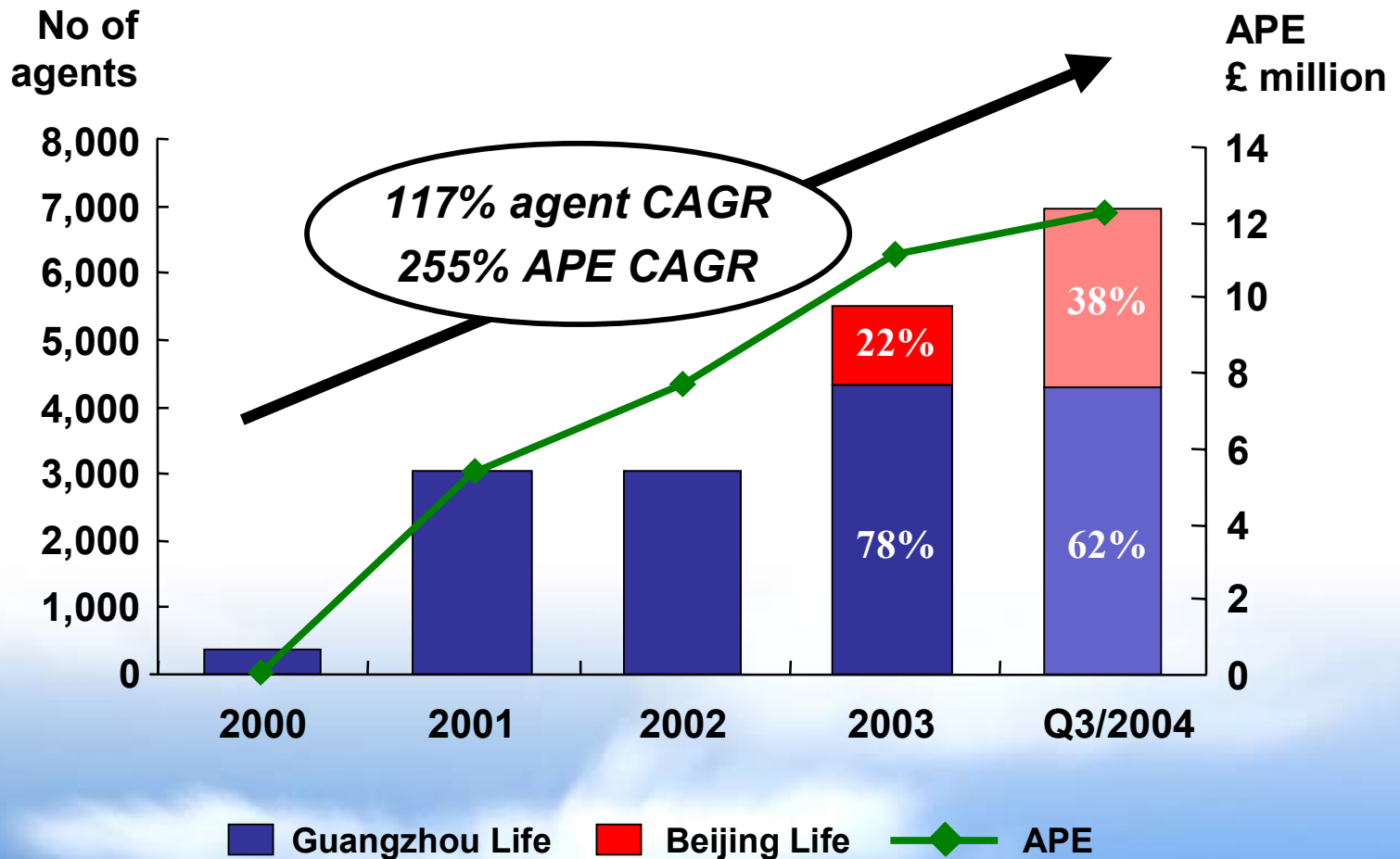
- **Securing licenses**
- **Premises set up**
- **Development strategy**
- **Resource hiring**
- **Agency recruitment**

## 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

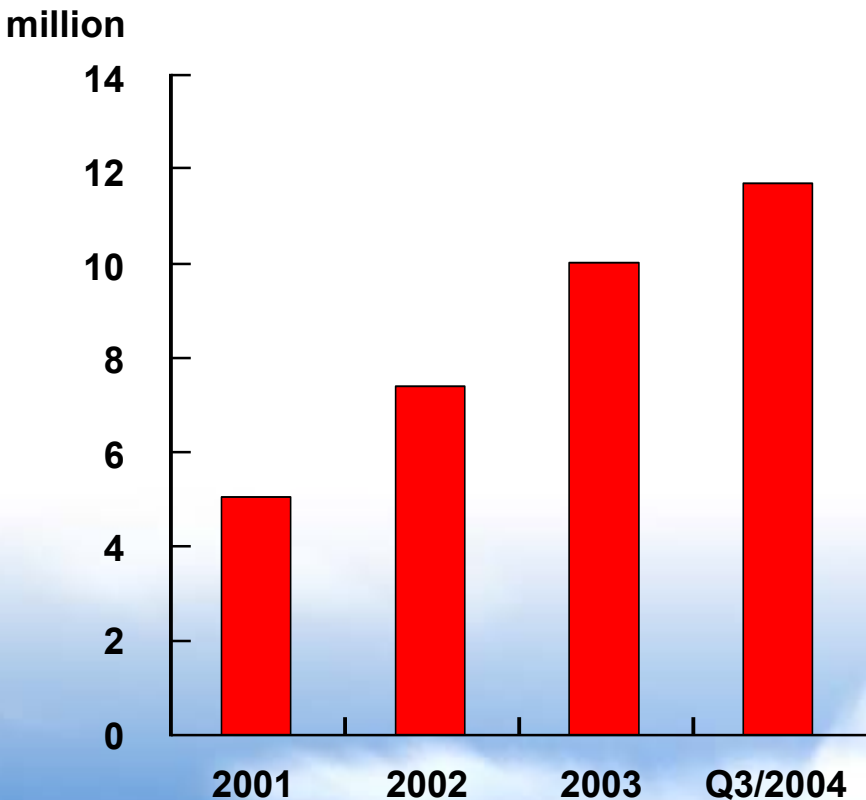


小灵通，这份合同条款这么多，该怎样看？

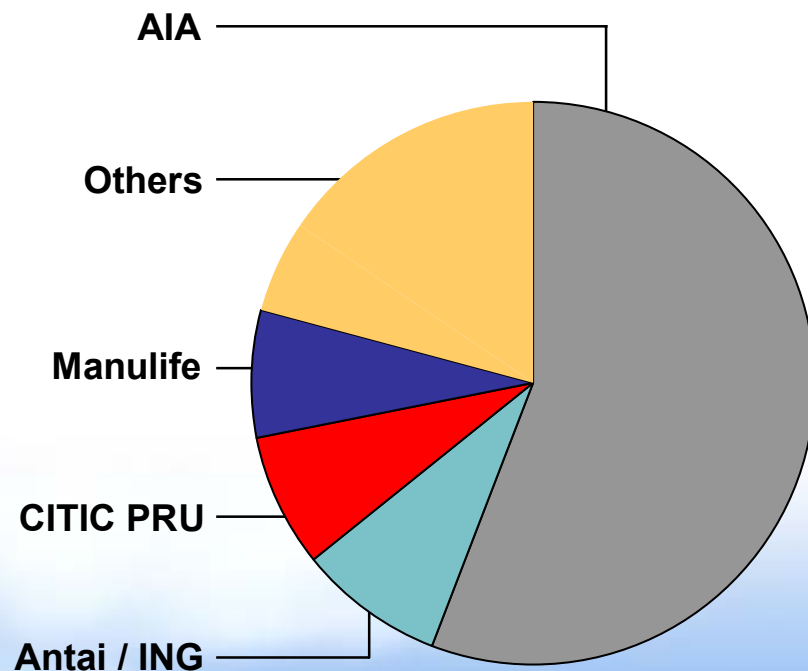
# Our results

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

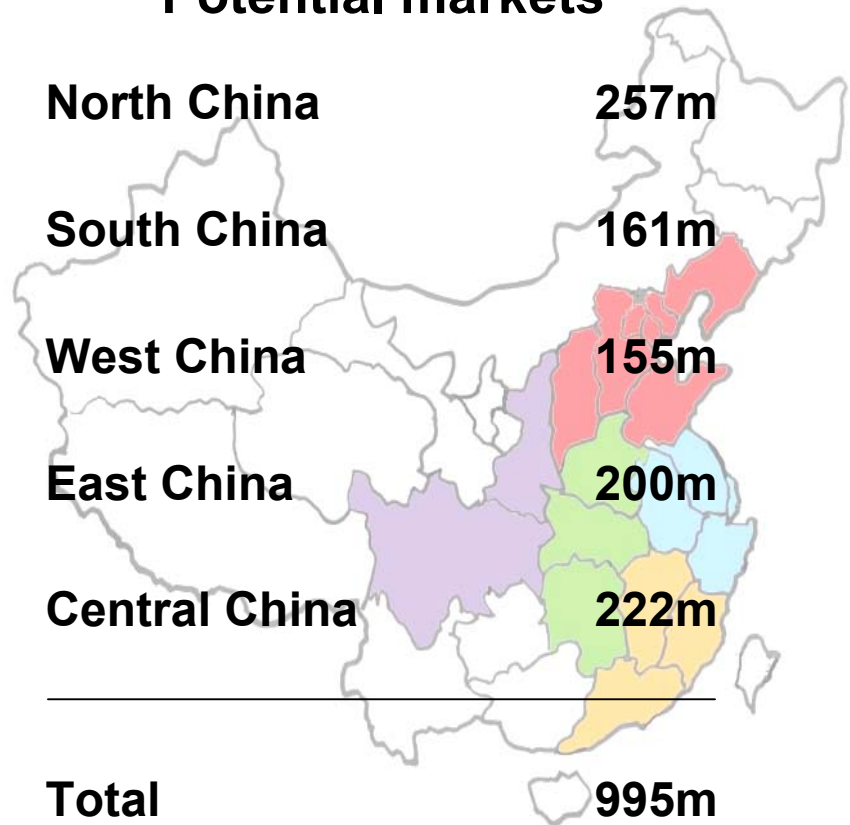
South China 161m

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**





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# **Agency Productivity**

# Agency Productivity KPIs

## Level 1 KPI

No. of Agents

Total Cases

Total APE

Active Rate

Total NBAP

## Level 2 KPI

Cases/Agent

APE/Agent

Cases/Active Agent

APE/Active Agent

## Level 3 KPI

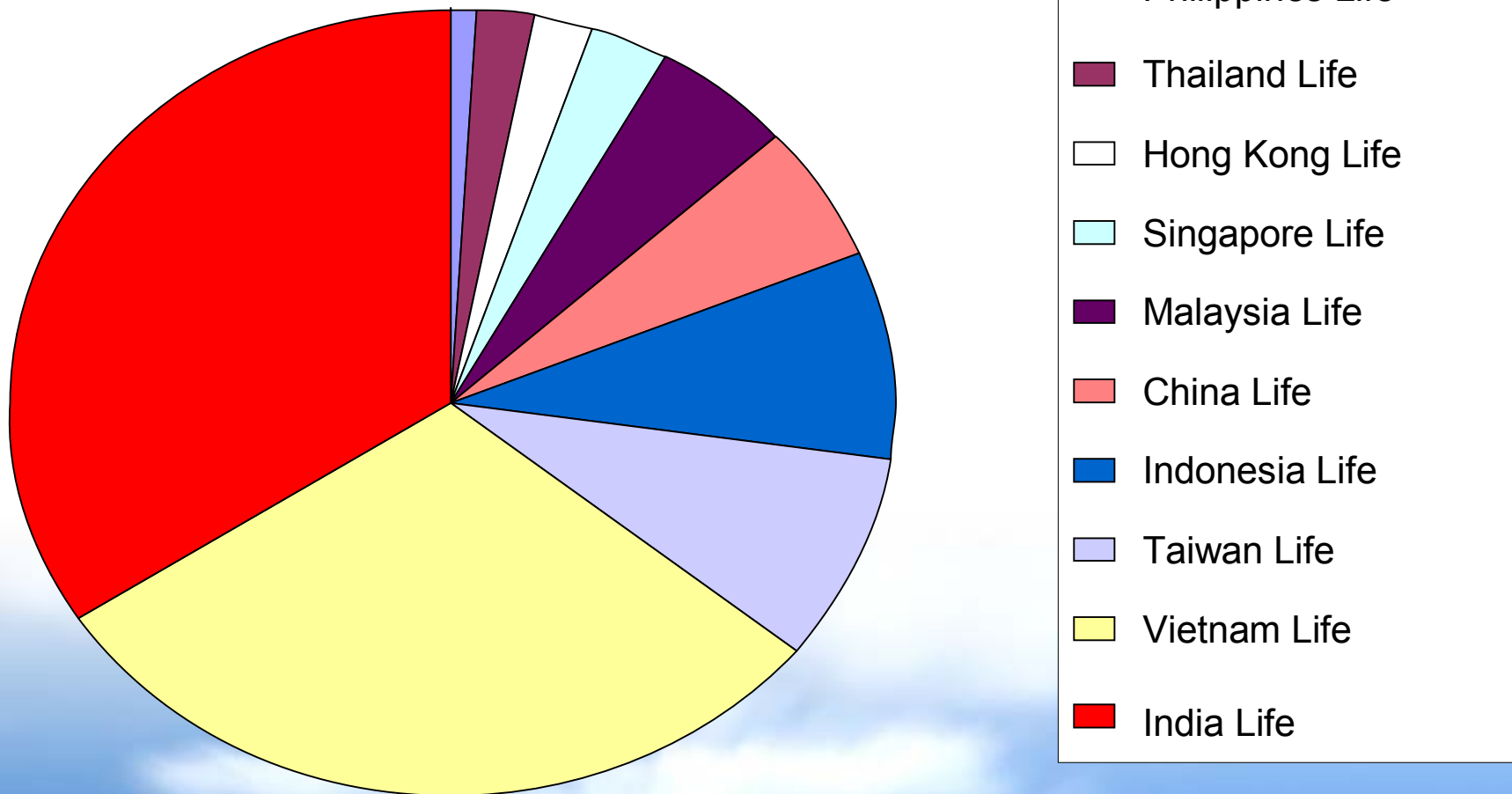
Product Mix/Agent

APE/Product

NBAP Margin/Product

# Agency Force Profile

## Total Agency Force (# of Agents)



As at September 2004

# Agency Productivity KPIs

COUNTRIES	No. of Life Competitors	Rank by Size of Agency Force	Rank by Productivity *
China **	21	2	2
Hong Kong	64	3	2
India **	12	1	1/2
Indonesia	51	3	1/2
Malaysia	16	5	1
Philippines	40	3	2/3
Singapore	12	2	1/2
Taiwan	29	7	4/5
Thailand	25	8	-
Vietnam	5	1	2

\* Ranked based on first year premium per agent

\*\* Foreign companies only



問與答

Câu Hỏi và  
Trả Lời

질문 & 답변

Q & A

คำถาม  
& คำตอบ

Tanong  
at sagot

Tanya  
& Jawab

質問および回答

問與答

प्रश्न और जवाब



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the  
**Opportunity**

# Summary

**Mark Norbom**  
Prudential Corporation Asia  
November 2004

# Our 29 speakers



**Years with Prudential in Asia (average) : 6 years**

**Financial services experience (average) : 20 years**

# Vision : Market leadership

***To be the market leading savings, investment and protection company in Asia...***



***Brand strength and reputation***

***Superior service and professional advice***

***Flexible multi-distribution***

***Innovative products***

***Best people and management***

***Highest growth rate and return***

***...for our customers, staff, distributors, partners, and shareholders***



# Delivering profitable and sustainable growth

***Accelerating profitability***

**Leveraging regional scale, expertise and innovation**

***Building sustainability***

**Creating a lasting foundation**

***Continued strong growth***

**Driving proven success models to all markets**

- Integrated operating model
- Leadership development
- Risk management
- Brand strength
- Business building expertise
- Multi-channel distribution
- Product innovation
- Customer centricity

***Strong top-line growth - even faster bottom-line growth***

- 1 Growth opportunity in Asia remains significant for insurance and funds management**
- 2 We are uniquely positioned to seize this opportunity**
- 3 We are strengthening our foundation to ensure sustainability of above-market performance**
- 4 Our scale and our focus will yield accelerated profitability : Strong top-line growth, even faster bottom-line growth**



***Delivering profitable and sustainable growth***



# Prudential Seizing the Opportunity



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