



**Prudential:  
Leading in Asia**

# **Prudential Hong Kong**

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# Country Overview : Hong Kong

## Country

Population	6.9m
Savings rate	32%
Insurance penetration	7.88%

## Characteristics

- Ageing, increasingly affluent market
- Stable regulatory environment
- Growing bancassurance
- Savings orientated products predominate

## Life insurance market

- 6<sup>th</sup> largest market in Asia
- Dominated by foreign insurers
- 51 life insurers with top 5 accounting for over 50% of 2006 life premiums
- FY '05 total life premiums US\$15b

## Top 5 players\*

- AIA
- HSBC Life
- Hang Seng
- Prudential
- AXA (including MLC)

**Prudential has  
8.2% market share**

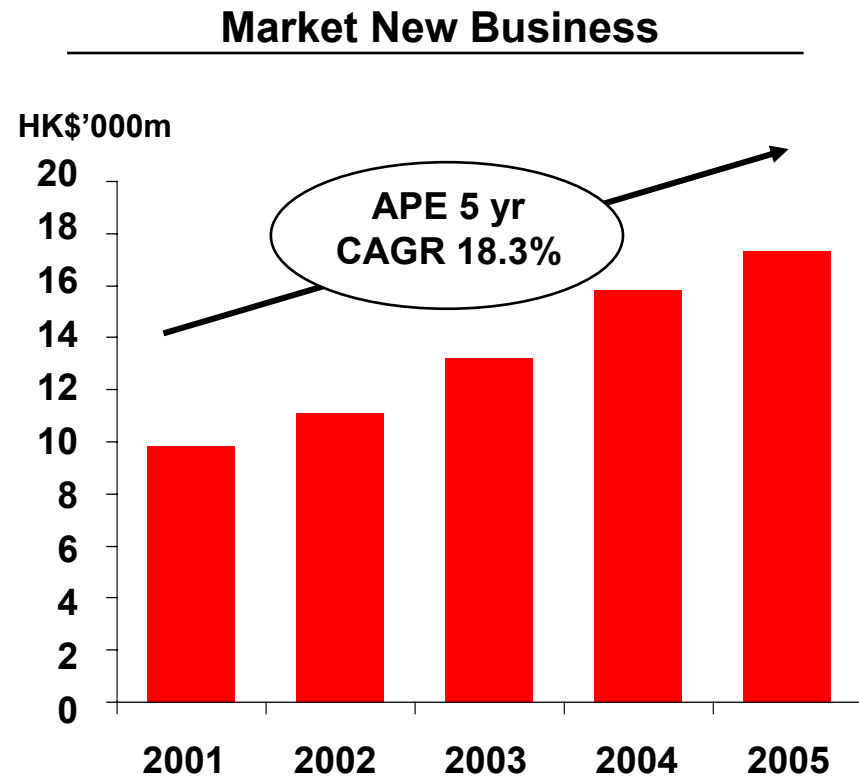
\* Source: OCI statistics YTD 30 June 2006



# Hong Kong : Market growth

With 5 year APE CAGR of 18.3%, the life market continues to grow strongly, largely driven by bank sales and unit linked products

- **Market growth drivers;**
  - Bancassurance - 17% market APE 2000 to 38% H1 2006
  - Linked business – 27% market APE in 2002 to 48% H1 2006
- **Prudential 5 year APE CAGR 22%**

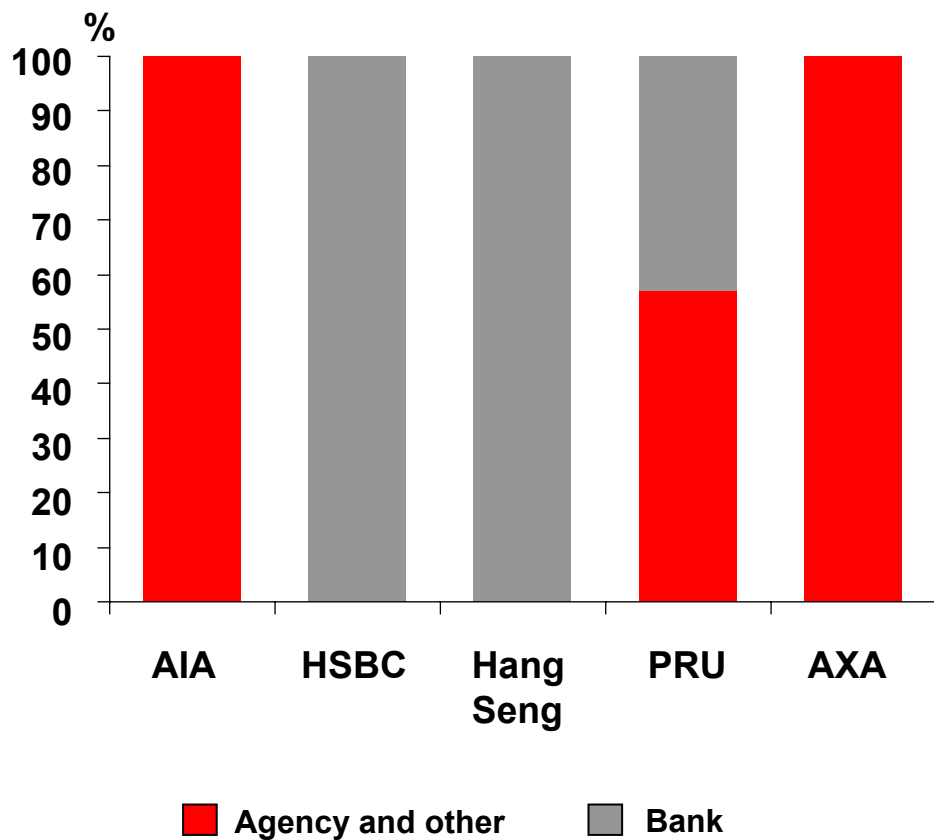




# Prudential Hong Kong : Multi distribution a key strength

Prudential's pioneering multi distribution approach offers growth opportunities across both channels

- **Successful, strong agency brand**
- **One of first insurers to recognise potential of bank distribution**
  - Q3 2006 APE sales; 57% agency vs. 43% bancassurance.
- **Distribution options reflect growing demand for choice from increasingly sophisticated customers**
- **Multi distribution to be enhanced via expansion of direct marketing in 2007**
  - 69% of customers only have 1 Prudential policy





# Prudential Hong Kong : Agency remains key

**Growing agency force with initiatives in place to further drive productivity, activity and recruitment levels**

- **Agency remains predominant channel**
  - 63% of H1 2006 market APE sales
- **Prudential successfully recruiting and training high quality agents**
  - 9 months 2006: 9% increase in agents v total market decline of 24% over 5 years
  - 9 months 2006: 3 year persistency of 97.7%
- **Agent productivity continuing to improve**
  - New business profit per agent up 33% 9 months 2006 v 9 months 2005
  - Average 9 months 2006 case size up from HK\$11,000 to HK\$15,000
- **Recruitment and growth driven by**
  - Recruiting incentive package
  - Enhanced training
  - Strong brand



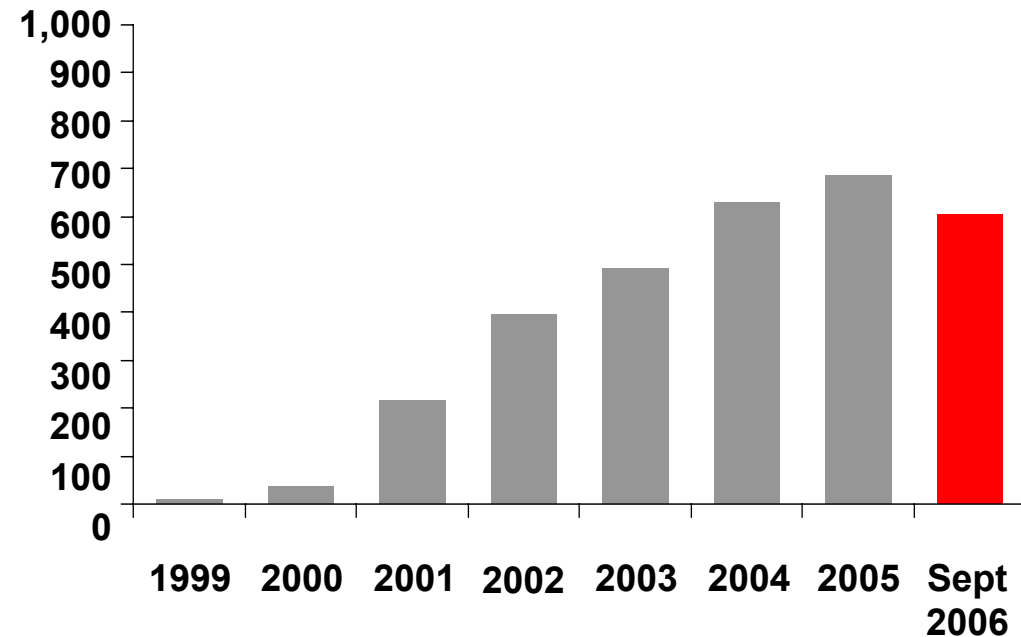
# Prudential Hong Kong : Exclusive Standard Chartered partnership

Exclusive relationship offers additional reach into growing customer segments

- One of first insurers to recognise potential of bank distribution
  - 47% Prudential YTD Q3 2006 APE
- 55 SCB branches in Hong Kong
  - 170 Prudential staff selling savings and protection products.
  - 330 SCB staff selling Prudential insurance products

## PACHK Bancassurance Growth

APE HK\$m

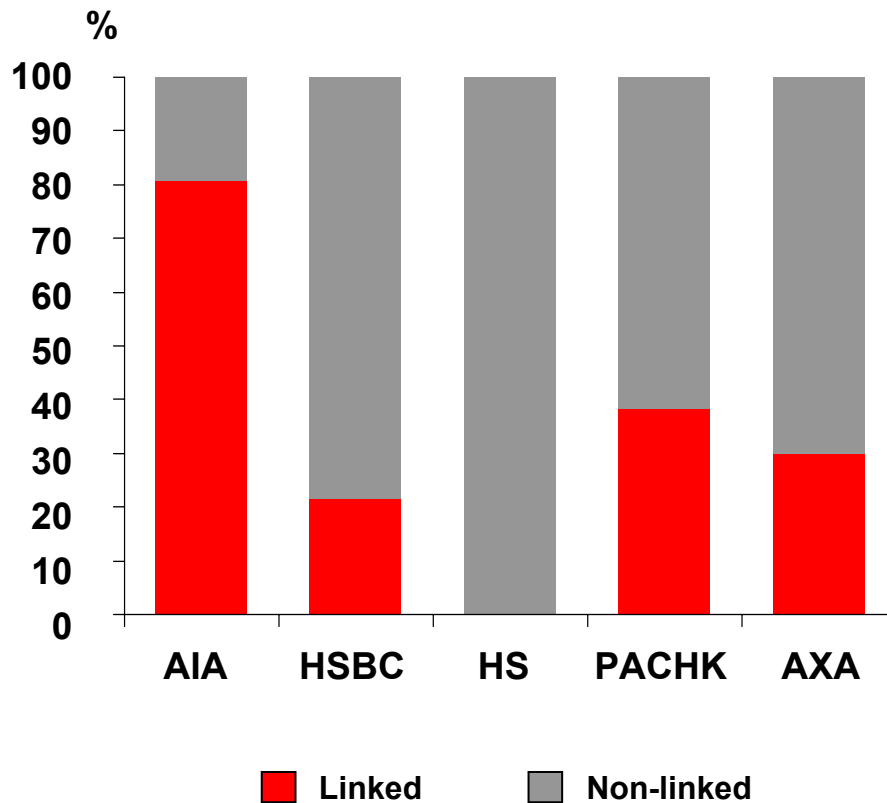




# Prudential Hong Kong : Product opportunities

Strong margins from diversified range of protection, savings and investment products. Linked and DM products offer incremental growth opportunities

- H1 2006 NBP margin 67% up 12% on H1 2005
- Margin improvement driven by a number of factors
  - Strong sales of long term bundled protection products with savings element
  - Increasing linked business volumes
- Opportunities:
  - Direct marketing simple risk products
  - Enhance unit linked proposition
  - Retirement savings and income





# Prudential Hong Kong : Material growth prospects

## Prudential well-placed to expand in growing market

- **Retirement planning and health insurance will be key strategic focuses**
  - Leverage Prudential's UK health initiative
  - PCA LIFE (Korea) retirement initiative
- **Expand SCB relationship**
  - Unit-linked business
  - Productivity improvements
- **Drive agent productivity and activity**
- **Implement framework for evolution of agents to financial advisers**

