

Prudential - Conversation with CEO - Singapore

Monday, 14th November 2022

Introduction

Patrick Bowes

Chief of IR, Prudential

Welcome

Welcome, and thank you all for joining us for this fourth of our series of snapshot sessions to further introduce you to some of the leadership teams of our operations. Joining us today in Singapore is Mark FitzPatrick, Group Chief Executive; and Dennis Tan, Chief Executive of the Singapore business and the Managing Director of the Strategic Business Group covering Singapore, Thailand and Vietnam.

We will have about 30 minutes of discussion between Mark and Dennis and then following that, about 30 minutes of questions and answers from yourselves in the normal way. The conference call host will then explain to you how to ask questions via the conference call in much the same way as we do after our results.

So over to you, Mark.

Opening Remarks

Mark FitzPatrick

Group Chief Executive, Prudential

Patrick, thank you, and good day, everyone. We are not going to give a full update on Q3 trading today, but I wanted to comment on some of our recent performance that you can see in public data.

A feature of our performance in the first half was a strong performance in China, and I am pleased to report that the industry data published in recent days shows us continuing to outperform in this market in terms of GWP. This was driven by the strength of our proposition, and in particular, our bancassurance channel, which sets up well for the future in that market.

Elsewhere, we are focused on continuing to drive performance and operational delivery. We continue to design and tailor new products to better serve our customers and to support our agents and banca partners as the regions recover from COVID. In Thailand, our new business premium growth continues to outperform the market, and the Hong Kong industry statistics will be out later this month.

More broadly, a feature of our interims was a good performance in our growth markets, and we have talked to you already this year about how we are driving that in the Philippines and Vietnam.

Now, we saw 5% growth in APE and 16% growth in NBP in Singapore in the first half, outperforming the industry. And the industry statistics here in Singapore, which were out last week, showed that discrete third-party industry sales were down 13% year-on-year with single premium sales down over 30% partially offset by a 7% increase in regular premiums.

Now, we remain comfortable with our Singapore business model and our performance compared to that of the industry that I have just outlined.

And with that, on to my guest today, where I am joined by Dennis Tan, CEO of our Singapore business and MD of the Strategic Business Group, which combines our Singapore, Thai and Vietnamese operations.

So Dennis, maybe just to kick off, maybe you could give us a brief introduction of yourself and give a summary of your experience, please.

Introduction

Dennis Tan

CEO, Prudential Singapore

Thanks very much, Mark, and good evening to everyone, good to be on this call. I have joined Prudential for about two years and nine months now, and it's actually the draw of really serving people, focusing on individuals and their families, that really got me to Prudential. And Prudential being such a respected global brand name and especially here in Singapore being a leading insurer with the largest agency force, and of course, very strong banca relationships with banks.

Prior to joining Prudential, I was with OCBC Bank. I was there for 10 years and my last position over there was looking after the Consumer Financial Services Group, so Consumer Banking. And I have been in financial services all my career, all 26 years prior, previously in banking. And this year, having come over to Prudential, I am really, really pleased to be appointed into the GEC, the Group Executive Committee, and leading the Strategic Business Group comprising Singapore, Thailand, Vietnam.

And my role is actually to enhance greater collaboration between all the different teams, different countries, share knowledge and increase efficiency between the three markets.

Management Q&A

Mark FitzPatrick: Great. Thank you, Dennis. So what are you excited about in terms of the opportunities in Singapore? And what is the significance of those opportunities in terms of the wider Prudential Group?

Dennis Tan: I think in the first half of this year, we have seen that Singapore is about 18% of APE, and importantly, 22% of NBP of the entire Prudential Group, with a healthy margin of 63%. And from an IFRS segmental operating profit perspective, Singapore accounts for about 17%. So that is something that is really, really meaningful.

And if you look at it from a Singapore perspective, we are excited about all the different opportunities in the health area as well as wealth supported by really the rising life span and the rising affluence of the society here in this country.

So let us talk a little bit about health. I think in Singapore, here, definitely, we have a very robust public medical system, but at the same time, the demand for private medical plans remains really, really high. And that is actually our Shield business. The Shield business sits on top of the national insurance scheme that is available to all citizens over here. And that focus has really helped our overall business as we continue to work with private hospitals and allowing customers access to better comfort in better class wards in the hospital system.

And our healthcare portfolio grew more than 90% over the past five years in terms of premiums. And customers definitely have continued to grow with us through the past many years. And the opportunity continues to keep growing. And as Singaporeans continue to live longer, the demand for healthcare services will increase. And overall health protection gap is still at \$23 billion in Singapore, and this measures the shortfall in finances to fund health expenditure.

So with that, let me move on very quickly to wealth. I think wealth is another key pillar that we have been building up on. And with rising life span, it is important that people definitely have the need to continue to consume wealth management services. And people living up to 85 years old, we need to continue to make sure that they do not outlive their savings. That is something that is very, very important.

So a survey that we have done recently shows that two out of three Singaporeans here agree that they need to invest a lot more of their savings to fund a longer life. And therefore, that opportunity continues to be great for all of us here to really extend retirement planning needs and helping the customers with that.

So within the Group, as an MNC (multi-national company), we have extensive product knowledge, expertise across the globe for us in the many markets and we can continue to harness all of that and solutions for our customers.

And finally, maybe I can just talk a little bit about SME. The SME segment is really, really huge in Singapore. There are about 300,000 SMEs, and that makes up about 99%, almost all of the enterprises here locally. But importantly, these SMEs employ a total of 2.4 million employees. And having made inroads into the SME segment for us over the past few years, we feel that we can continue to grow this and achieve double-digit growth, just like what we have been doing over the recent years. And we serve now close to about 3,000 SMEs.

Through that, they have a total of about 200,000 employees, and we continue to work through these customers to really serve them and convert these to individual lives for us. That will be something that is really, really meaningful to our entire enterprise business.

Mark FitzPatrick: So Dennis, so the three key components then are health, there is a key wealth component, and then the SME in terms of future growth. So what are your priorities for the business given all those opportunities?

Dennis Tan: Great question, Mark. I think clearly, with me joining in the last two and a half years is really focusing on strengthening the relationship with our distributors. So one key area definitely is engagement and strengthening our approach through working with the agency force. At the same time, it is also strengthening the relationship that we have with the two bank partners that we have: a strong local bank here, UOB Bank, one of the three largest local banks over here, and another internationally known bank, Standard Chartered Bank.

So clearly, our priorities have been really engaging our distributors. And in terms of our segments, we continue to work with the high net worth customer space as well as the affluent. And we do that through working with the bank partners because in the banking system, these customer segmentations are fairly clearly defined, being served through the branch network that they have and different relationship managers or different segmental

specialists that they have serving the customers' needs. So partnering them definitely is something that we have been doing, and we will continue to do that to build our inroads into the health and the wealth management space here.

And the other thing actually is also the broader base customers that we serve across our entire business. That needs to continue to be done digitally and using health offerings as a key focal area, which we have been doing and we will continue to augment that.

And finally, an emerging but very interesting group is actually the younger customers. These young customers come in, and this is actually building the business for the next generation. So how do we serve the needs of these young customers? And many of them over time will get more affluent, and in order for us to serve them, things like investment-linked proposition, right, thematic products that we have that is wrapped around together with ESG focus, these are all clear needs that is articulated by the customer segment and something that we are very happy to continue working with them and serving their needs.

Mark FitzPatrick: Great. Thank you. So Dennis, if we can look, we have had some folks understandably say how are you continuing to drive growth in what is often seen as a relatively mature market compared with one of the other markets like Vietnam, where there is just – far less mature? Is there anything in terms of product initiatives and the like that you are exploring to try and be able to ensure that you can maintain the great growth that you have had so far?

Dennis Tan: Clearly, Singapore being a developed market, even though it is a mature market, there continues to be lots of opportunities. And as I kind of briefly mentioned earlier, even if you look at the protection gap that we have, it is a whopping \$23 billion. So while it is a mature market, there continues to be pockets of customers that we should continue to serve them. And with the rising affluence and Singapore sitting in this part of the world being a wealth management hub and with fund flows coming over to this country, we continue to see that rising affluence of people over here, as well as the differing needs that they have over the life span.

So retirement solutions is something that we have been focusing on, and that is something that is really interesting. These come in a combination of both single premium as well as regular premium options. But I think the important and interesting thing is that we make sure that we customise these for our customers. So the payout start age as well as the payout period, these are all very, very modular, and we allow this flexibility for our customers. So importantly, as Singaporeans continue to live longer, we are going to make sure that they are able to save sufficiently for their retirement.

And for the younger customers, we have innovative plans such as plans that will marry both protection and wealth accumulation and serving these two needs together. So for these customers, affordability – through our research – affordability is the most important thing. And so we have premiums as low as S\$90 per month for a decent coverage of S\$200,000 for life and critical illness cover.

And the other thing on top of affordability, as expressed to us, is actually flexibility. Customers want flexibility in their plans. So what we have is actually for them to be able to extend their protection against critical illness. They can actually increase coverage amounts at important life stages or life events over time. If they need funds, they can make

withdrawals to meet their financial obligations and also at times to do investment top-up. So all these options are available to the customers, so very, very flexible.

And finally, I kind of mentioned Shield business earlier. We are delighted to be the market leader here for the Shield business with a market share of about 31%. And these health plans continue to complement the national medical coverage plans, the foundational plans that is available to everyone. And our incremental plans allow access to private hospitals of higher class wards. So there is something that again gives a lot of comfort to many of our affluent customers.

So we have been, here in Singapore, recognised to be an innovator in the health solutions with Shield as one example. And one example that I can cite is actually the launch of claims-based pricing. This was launched in 2017, five years ago. And how this works is actually rewarding customers who stay healthy, customers who do not claim or claim quite little quantum within the year, these customers will actually enjoy a reward in terms of premium discounts.

At the same time, we also have what we call PRUPanel Connect, which is a system that we have and relationships with many of our private hospitals that will give a lot more differentiated offers offering to our customers who use the services in these locations.

Mark FitzPatrick: Very good. Dennis, can we pivot now and can we talk to one of our key differentiators, which is our core strength of agency and where I think we have the largest tied agency force in Singapore? Could you provide a bit more colour on the scale and quality of our agents and how you are building on this?

Dennis Tan: We are really delighted to have the largest tied agency force in the Singapore market. So in specific, we have more than 5,000 agents. And this is arguably one of the most productive agency forces in the country. Our agency business has contributed about 42% of APE in the first half of this year. And the agency force is actually a force to reckon with in terms of them continuing to go out there to deliver very high health and protection business generation.

One thing I am really thankful to the agency force and see really huge progress in the past couple of years is actually through the pandemic situation, the entire agency force was really nimble and they really adapted to new ways of engagement and new ways of serving customers. I recall in second quarter of 2020 when the lockdown was happening, we were the first insurer here in Singapore to really launch and develop video conferencing and e-signature tool that importantly allows the agency force to provide advisory services and sales to be done online without them actually physically seeing the customers. And that was really, really important during that period.

And that has not stopped actually in the past two years and now in Singapore, whereby we are reopening up and living endemically with COVID. And while people can meet up face to face, and all that, the beauty is that we continue to see these remote sales through video conferencing at 30%, 40%, 50% of each month's business, depending on which month it is, and that is really something that is fantastic because it saves productivity.

The agents do not need to keep travelling out to meet customers. They can do it online. And at the same time, existing customers, repeat customers who say, hey, I already know you, I

just want to kind of add on this simple policy. They can do that remotely. So again, something that is very convenient to customers as well. So that is something that I am really, really thankful and happy to see that really happening in our agency force.

And the other key thing to share, Mark, is actually, of the more than 5,000, we have more than 1,000 of them who are MDRT qualified, so Million Dollar Round Table. So I think just to share that the MDRT concept is not just about sales. Of course, sales is a key indicator, but it is also the quality and the professionalism in terms of them really being able to serve so many customers. And that is something that we are really proud of.

And one final thing, actually, just to share also, is actually the training, learning and development of our very nimble agency force. And we did that over the past two years. Actually, what we have is actually now Singapore's first and only agency force, whereby all our agents are what we call IBF Level 1 qualified. So in Singapore, we have this Institute of Banking and Finance classification, whereby now all of our agents have gone through in the last 18 months certified in really financial needs analysis and plan construction.

So that is something that we do not quite see in other peer forces, something that we are really proud of, whereby our people have invested time in upgrading themselves and in terms of our learning so that they can be more professional in serving the public and serving our customers.

Mark FitzPatrick: So that sounds like a huge investment from the agents and showing their level of commitment in terms of the training and the hours that they are putting in because I seem to recall somewhere that up to 60 hours per agent invested in achieving this level of certification.

Dennis Tan: Absolutely.

Mark FitzPatrick: Dennis, if we pivot now to bancassurance, so our other distribution channel, useful just to get a sense in terms of current positioning and how we are enhancing our capabilities around that, please.

Dennis Tan: So we are equally strong in bancassurance here in Singapore. And what we are delighted is that we continuously hold a top three position by market share with our two strategic bank partners, UOB Bank, one of the strong local banks, as well as SCB, Standard Chartered Bank, the largest foreign bank here in Singapore. And together, they allow us access to over more than two million customers here in Singapore.

And the banca relationship that we have, we continue to really work with them in serving their customers and focusing on customer segmentation. So one example is really focusing on the affluent and the high net worth space. And with Singapore continuously being recognised as a wealth centre, working with these banks, serving their customer needs, that continues to allow us to really build the business really strongly.

The other thing is actually working with these two banks, they have a lot of what we call digital natives. They are customers who are really on to their platforms, their mobile platforms, their internet banking platforms. This really have more than 1.6 million of these customers in the two banks combined.

And finally, from a segment perspective, they have what they call the business banking segments, i.e., customers who are SMEs or what we deem as commercial banking customers.

So these are also huge opportunities for us to closely collaborate with them, to really penetrate that and offer our solutions, our enterprise business solutions, to help all of their employees in these companies.

So one example that I will kind of quote is actually us also working with the two banks in their mobile banking platform. And we have been supplying products, bite-sized products as well, products that are actually relevant to all these digital natives in these platforms to really engage them directly so that they can actually convert either as leads to us or they can come in and purchase products online at the tip of the finger, which is very, very convenient for them.

Mark FitzPatrick: Dennis, so having focused now a little bit on distribution, I am going to change it yet again, looking at products. So we have got quite a balanced product mix in terms of health and protection, you were talking about Shield earlier, and also savings. How do rising interest rates impact your business?

Dennis Tan: I think the important thing from my perspective is actually having a very well balanced portfolio, well balanced portfolio of products that cuts across protection, the linked business as well as participating, savings, endowment type product. And we are well placed to serve our customers' needs across all the range of needs that they have. And this will happen once we have a balanced portfolio because that will help them across all interest rates and economic cycles. So we have, of course, in the recent period, heightened volatility in the capital markets. Our solutions remain very attractive, given the more stable long-term returns that we can generate for our customers.

So in specific for health solutions, our health solutions are always in demand, right? And especially I think in this period now, that is post pandemic, one thing that really customers have learned is actually, hey, in the last two years, the importance of them sitting down to review the protection needs of themselves and their families. So I think the health solutions continue to be a mainstay of our business.

Our customers are also more aware of the different needs that they have, and having access to quality healthcare is important. So overall, with all this focus on protection and the healthcare business and the health portfolio, the impact to our overall business is going to be very marginal because of the balanced approach that we take from a portfolio perspective.

Well, of course, just like many others out there, we are not immune to changes in interest rates, but we are also not unduly challenged because of the balanced approach. So overall, I am very confident of our delivery and of this part of the interest rate cycle. And more importantly, movements in interest rates, if carefully managed, actually could present favourable conditions to generate better returns as well for our customers over the long term.

Mark FitzPatrick: And so earlier on, you spoke about the customer segmentation level focusing on high net worth, on the affluent and on the SME market. So given your focus on those three, how should one think about the longer-term margin outlook?

Dennis Tan: So I am very confident of the longer-term profitability and the outlook. We have a high H&P composition in our business, and this tends to generate higher margins for us. And Shield, again, as an example, over the past five years, in fact, five years back, we

were the first and only insurer that turned profitable for the Shield business in this market. It is a competitive market.

And despite all the changes in the recent years, we continue to be able to generate the profitability while serving customers and having affordable and decent premiums for the customer base. And one of the things that I remember clearly is our ability to really launch what we call claims based pricing. And that really helped the overall management of our portfolio, keeping premium rates really more affordable and competitive, but at the same time, managing our claims cost.

So overall here, as we focus on high net worth, yes, if you look at it from a product mix perspective, we do have a slightly higher mix of single premium products perhaps relative to other countries or other markets. But that said, the single premium solutions that we have been offering is of high quality. When I say high quality, what I mean by that is actually attractive and stable and high margins.

So this offering of single premium are not the typical very short-term endowment products that doesn't generate very much returns. So that is something that is really, really good, and we are focusing on really looking at decent, high quality products, high quality single premium products that we continue to bring to the market.

So overall, cross-selling has been healthy as well. So customers on the average have about 2.8 Prudential policies with us. So that is something that we're very happy about.

So talking about margins, maybe if I can shift over to SMEs. For the SME business that we do, we tend to avoid the broker-driven model. So we want to build relationships directly with our clients, with the companies, with the SMEs that we serve. And through that, we are able to continue to build relationships, understand them a lot better, understand their needs better and use digital delivery to serve them.

And one key example is actually what we call Business@Pulse, using the Business@Pulse, a solution that will allow us to allow these employees of the SMEs and the companies to really see the policy information, and importantly, use that as a simple tool to submit their claims. So that is something that we will continuously invest in to make the journey and the proposition strong for the SMEs that we serve.

Mark FitzPatrick: Right. So Dennis, in your answers a moment ago, you mentioned digital. Now you and I were at the Singapore FinTech Festival a couple of weeks ago, and we were talking about technology and how that is changing the business. How are you looking to use digital to grow and enable the business?

Dennis Tan: So clearly, in this day and age, technology definitely is front and centre of many things that many companies do. But here in Prudential Singapore's business, technology is a key enabler in how we serve our customers, and importantly, enable our agency force.

So when we talk about technology and digital, it is kind of two-pronged. One is digitising directly to the consumers. But at the same time, it is also enhancing digital directly to our agency force. And that is really core to our strategy. So maybe I can just use a couple of examples to share what we have been doing on digital.

So let us look at it from a customer perspective, right? I can talk about onboarding, and I can talk about servicing them as well. So onboarding of new clients and how we use digital is

actually, one example is what we call instant underwriting. There is an instant underwriting digital engine behind, whereby we underwrite more than 40 products through this process, and we can deliver a decision literally instantly.

So with that, today, actually three out of four of our policies are underwritten this way, three out of four, 75%. So in that sense, it is automated. So we only need human, we only need a reviewer, to really look at the other one out of four. So this is actually helping productivity and turnaround time and really serving customers faster. So that is helping customers from an onboarding perspective when they are about to take on an insurance product.

And in terms of servicing them, we have different ways that we have been using, leveraging digital to serve them better. One example is actually using the AI talk bot, and we launched that at the start of this year. So what happens is that we have been training the talk bot to really understand the clients, a query, right, and to respond, and not just respond, but respond with empathy and respond with Singlish, right, the way we speak English in Singapore. So that is really localising that.

And with that, we have been pushing that out. So in short, we use that for Shield retention calls. So in short, all these calls are actually made by the robot, by the talk bot. And it performs no different from in the past where we had people manually actually making those calls out. So that's actually really successful. And all the calls have been as successful as all the manual calls made up by people.

And finally, back to what I kind of talked about briefly again earlier on Business@Pulse, that is really something that we will continuously leverage and build a lot more functionality as we serve our enterprise business clients, right? So whether they can see more of their insurance coverage policy information, submit claims or make all the other kind of group coverage related kind of activities or servicing that they need, everything in just one platform. So that is something that we continuously invest in our business to be able to serve our customers.

Mark FitzPatrick: Thank you. Dennis, so we have gone through a quick exposé of the business in Singapore in terms of the market, in terms of the products, in terms of the segments, in terms of the channel and now in terms of digital. So when you bring that all together, the question that everybody is going to have is, so what does that mean for the prospects for Singapore for the balance of this year?

Dennis Tan: For the first half of this year, as we kind of shared earlier, APE was up 5% and NBP up 16%. So to me, I think what we have seen is actually the success of our multi-channel approach. So the multi-channel approach and that model gives us business resilience. So from a performance perspective, we continue to see and expect a smooth flight path as a result of that.

And again, compared to our peers, yes, of course, there are volatilities and we continue to see headwinds in the short term, but I am very, very confident of the outlook of the Singapore market, given the long-term structural trends that we are seeing and our strong leadership position. So we have been tracking that, right, definitely over the past many, many years and we continue to see and value the strength that we bring to the table as we continue to serve our customers.

And in Singapore, we continue to take market leadership position in many things that we have been known for in the local market here. We talked about Shield earlier. So that is something that we are very, very proud of, and we continue to see us maintaining that. And the other thing is actually having the largest tied agency force here and the productivity and also maintaining the regular premium sales trend that we continue to see over time. So these are all successes that we have, and we will continue to build on that.

And importantly, we also discussed earlier a little bit about health, and we talk about wealth. So having these two-pronged engines firing away, that will continue to help us really serve our customers and help them with their aspirations. And under all of that is actually the approach of digital and digital at the core of our growth, so having all of that to really serve the needs of our customers. So I believe that all these elements coming together, the outlook definitely is very, very positive.

Mark FitzPatrick: Excellent. Very good. All right Dennis, thank you very, very much indeed for those answers. So we are now going to change to the second part of today's session, which is open up for the Q&A. Thank you very much indeed.

Q&A

Michael Chang (CGS-CIMB): I have got two questions. So the first question was basically what Dennis was saying. New business profit is up 16%, APE is up 5%. That does imply significant margin expansion. It does appear, however, looking at the last slide, that bancassurance has been the fastest growing segment. And typically, there is a perception bancassurance is lower margin compared to the agent channel. So maybe you can elaborate a bit more on what has materially changed in the product mix over the last one year in particular such that the margins increased so significantly?

Second question I have is, in terms of the agent channel, very impressive stats from the agent numbers in terms of the market share as well as the proportion that is MDRT. Can I get some sense, as Singapore adapts to live with COVID, what kind of growth rates are we talking about for just the agent channel in particular, both in terms of APE as well as NBP?

Dennis Tan: Thank you very much, Michael, for the two questions. So for the first question in terms of banca and the product mix and perhaps would there be any lower margin coming from this channel because, typically, some markets or generally people may say that, hey, for banca relationship, those margins tend to be a little bit more restricted.

Clearly not, right, in our case. And like what I kind of was alluding to earlier, the single premium products that we have been taking to market is actually those that we craft up to really serve the customers' needs, be it retirement needs or their legacy planning needs. So these are all carefully curated products. Though the payment mode is single premium, these are not the low-quality, low-margin single premium products. So that is my first point.

Second one is, like what I alluded to earlier as well. So if you look at the 2021 business, the numbers that we have shown, we did not write any of, what we call, a tranche product in 2021, so none of the single premium, low-margin, short-term endowments that we typically see perhaps provided by other players in the market.

So while it is increasing single premium contribution from the banking channel, these are all high-quality, high-margin, single-premium products. So that is to your first question.

Second question in terms of agency channel, yes, agency channel continues to grow really well. And we have seen them being so resilient especially in the past two years, given the COVID situation. They have adapted really well. The relationship with clients continues to be rock solid, really, really strong. The fact many of our agents, they have been serving customers, it is multi-generational. So it is not just one generation, but it is really multi-generation. So the relationship with them is really, really fantastic.

So I expect and continue to see growth opportunities for our agency force, and that will come not just in terms of growing the number of agents that we have and which we do year on year, but at the same time in terms of growing the productivity and also how do we continuously equip them with tools, equip them with different things so that they can do their daily work more efficiently. And as they do that, the productivity will come by as well.

And one clear example is what I talked about earlier of the remote conferencing video selling tool that we have, which now two years after the lockdown, is mainstay now. The agency force continues to use that, and that is something that is helping the productivity and the customer engagement a lot more.

Patrick Bowes: I will go to the web question next. It is from Greig at KBW. Not dissimilar line of questioning as we just had there. Is the big shift over the medium term towards H&P and Singapore that you talked about? So going back more years than the five years in particular, do you think that this is further to go? Is this a scope for growth in this particular H&P segment? And he has asked on the agent numbers, similar to Michael's question, what is the current growth rate and recruitment cycle for agent numbers? And the importance of digital leads in terms of sales, is this a key metric that you are chasing?

Dennis Tan: Thank you very much, Greig, for those three questions. So first question, clearly, definitely the opportunity for H&P continues to be great. So the gap that we see here, the production gap is literally \$23 billion, so lots more opportunities for us to tap into that space. And as the life span of people here continues to increase and as the consumption of healthcare needs continues to be strong, I see a huge opportunity for us to tap in there.

So Shield is just one of the approach. So there are many other protection, critical illness, health-related policies that we can bring forth to the customer base, so therefore helping them with their needs and plugging their H&P gap in the market place.

Second question, yes, I think it was quite similar to the first one as well earlier, agency. We continue to recruit. So that is something that we have not let down, we have not slowed down in the past two years. And this year, definitely, and going to next, we continuously look at opportunities to recruit and train our agency force.

One of the key things that we talked about earlier is actually the professionalising of our entire agency force. And because we were able to do that, I think that clearly sets us apart that we are using that as a differentiator for people to really come and join our agencies, to be able to learn, develop their skills, and therefore, go out there more confidently, more professionally to be able to serve customers. So we will definitely continue to recruit and have that incremental plus year on year.

And finally, your question on leads. This is something that is really interesting, and I did not have time to talk about that earlier. When I talk about digital, it is also harnessing digital and in this digitally-led world now to generate leads and to have relationships with what we call platform companies or different kind of providers of leads. So, for example, food delivery, in the past, we do not quite talk about that in many years back. But with the pandemic, I think there is a lot more focus and people are definitely more comfortable with that. And we work with companies like that and use that to pump it into Pulse, whereby these are all leads generated for the agency force to successfully convert into individual lives. And that is something that we have started doing and will definitely accelerate and do a lot more in the coming years.

Mindy Gao (CLSA): I got two questions. As Dennis just mentioned, he is very confident on the NBP growth just now, and I just have a follow-up question on that regarding the expected long-term NBP growth outlook in Singapore and the relevant drivers of that growth. And then my second question would be, can you please provide more colour on the local competitive landscape and what really differentiates Prudential?

Dennis Tan: Sorry, Mindy, could you repeat the second question again?

Mark FitzPatrick: Local competitiveness and what distinguishes us from our competition landscape?

Dennis Tan: Thank you, Mindy, for the two questions. Go ahead, Mindy.

Mindy Gao: My second question would be the local competitive landscape and what really differentiates Prudential?

Dennis Tan: Thank you very much, Mindy, for the two questions. So NBP, clearly, yes, we have come from a regime and the results of a very robust and very good growth that we have seen, and it is our desire to want to continue to maintain that. And importantly, it is always about channel mix, product mix over time. And the plans, clearly, as you have heard earlier, as we continue to execute, is with that real rigour and focus on really decent, good quality margin products that we bring, as we continue to serve the customers as well as bringing products to the marketplace. So that is something that we are very conscious of and we are continuously make sure that it is definitely something that we will want to continue to maintain to the best of our ability.

In terms of local competitiveness, obviously, it is a competitive market, given that Singapore market is a mature market. But we have had a strong 90-year history over here, and we are a known brand name. We are a business that has got probably the most diversified channel in that sense, whereby agency force, not only do we have the agents, more than 5,000 – we are the largest tied agency force here in the country, something that we are really, really delighted to continue to support and work with the agents.

At the same time, for the partnership part, so we have two very strong banks that we work with, not one but two. And that sets us apart because in many of the peer insurers that are competing here in the marketplace, they tend to only work with one. So there is something else that we are differentiating compared to the other players out there. And of course, lastly, we talked about digital earlier, and that is something that, be it through Pulse or be it through other digital capabilities that we have, to enable our distributors, be it the bank

partners or the agency force. We continuously invest in all this capability building with a view of serving the customers well, serving the customer and bringing convenience, speed, a relevance to them, at the right time. And actually, these investments will then garner a lot more of confidence and support by our distributors. So that is something that we are really, really happy about.

And finally, obviously, on health. There is another key area that we are differentiating. And like I shared earlier in terms of Shield, and it is not just about Shield, but it is what else do we do with the Shield business, be it claims based pricing, be it the PRUPanel Connect network of private hospitals that we work with, these are innovative ideas that we constantly bring to the table. And that sharpens our proposition, and that differentiates us from peers.

Patrick Bowes: Okay. We have two more questions on the web. First one is from Thomas Wang of Goldman Sachs. Can you give us a bit more colour on the sort of alternative saving vehicles that you are competing with in the high net worth and the affluent market? And if rates remain high, how attractive are the saving products that you have sold in the last few years, given that they were sold in a low-yield environment? So that is the first one.

That also ties into a question that Dominic O'Mahony from Exane asked about, whether there are any particular features of the Singapore market when it comes to lapse risk and the market risks that you are taking on the balance sheet and whether there is any biometric risks in the market as a result of the longevity that you have talked about, mortality, morbidity and how is this different from the rest of the Group. Maybe that is quite a difficult question to ask it for yourself, but maybe we can comment on it further. But those are the two I have had at the moment.

Dennis Tan: Thank you very much, Thomas, for the question. So clearly, we have been focusing on savings, more importantly, wealth. Wealth as a category. So savings is only one component of that. But over there, we have linked propositions or hybrid propositions to bring out to the customer base.

So clearly, one of the key things that we have been doing for savings is not just a pure savings product, right. So those pure, straight, simple, short-term endowments that I talked about earlier, that is something that we have been walking away from even while the market continues to do that. So what we have actually come up with is actually different propositions with different packaging actually to beef out the proposition for customers, like I talked about earlier, helping you with wealth accumulation, which is more savings. But at the same time, we have some protection element in there.

So putting these two together would then help bring up better proposition to the customers, but at the same time, guarding our books and making sure that the margins are healthy. So it is not just all these simple, pure, straight-up savings that would then potentially go through different volatility as we go through different interest rate cycles. So that is the first question.

Second one, in terms of lapse risk, that's something that I'm not worried about. It does not keep me up at night. I think here, we definitely have a very, very solid, good quality book that we see and not just now but through the passage of time, we have always had very, very good persistency in the entire business. So that is something that we will continuously work to really strengthen the relationship with the customers. And that is something that, like I mentioned, does not keep me awake at night.

Patrick Bowes: Dominic had these two other questions, which is, you have got longevity in Singapore. Does that lead to a biometric risk? Does it make it difficult to underwrite, for example, when you have got that risk? Is it unique to Singapore?

Dennis Tan: That is something that we continuously, of course, look at different things to bring to the market. So one of the things, actually, as we look at longevity is actually, for example, our enterprise business for all of our Group policies, we actually cover our customers up to 100 years old. And we do not see that as a huge risk for us. That is something that, as we face the reality of this rising lifespan of people, we want to really support them in that.

And as we look at helping customers to save for 100, live to 100, right, so I think that is important. And it is not just narrative, but it is something that we really put into our policies. So that is why really being one of the first or the unique ones to really cover our customers up to 100 years old. So I do not personally see any of the systemic risk and we already have been doing this in the recent years.

Patrick Bowes: And you have got a par business here, a with-profits business, so presumably on the credit side, risk exposures, which is Dominic's final part of his question, would it be safe to say that you have got some levels of protection inherent in the business model that you are running here?

Dennis Tan: So clearly, of course, there will be from that perspective. But like I mentioned earlier, so depending on how you approach and how you price the product, I think clearly, there are opportunities. Of course, when we look at interest rate cycles, it goes up to different ups and downs. But if carefully managed, we definitely can look at potentially generating healthy returns for the customers. So from a par book perspective, I think that equally applies.

Patrick Bowes: And then I had a further one from Abid at Panmure, talking about the ability to use the digital channel to complement the other channels as opposed to cannibalising obviously your strong position in agency and how do you approach the risk of cannibalisation?

Dennis Tan: Thanks very much, Abid, for the question. For the digital part, like I kind of mentioned earlier, it is not just digitising direct to the consumers but it is also digitising direct to our distributors. So important thing is not to make the distributors feel as if we are using digital to disenfranchise them or to kind of cut them away. Importantly, harnessing digital to allow them to work better with the clients.

So one of the key tests that we have done in the recent period is actually, is this whole notion of do you do direct-to-consumer or is it perhaps another way, which is what we have been doing, is an assisted D2C. So it is not just a pure direct-to-consumer, D2C, but it is assisted D2C. That means we leverage and we harness the power of human, of our large agency force to be able to embrace and work with the digital solutions that we have.

So the whole experience is not just about going direct, but how do we involve them. And through that, we see a lot more synergy and see a lot more productivity and being able to serve customers and get a lot more tangible results than the pure D2C.

Mark FitzPatrick: And I think one of the things that we were nervous about, candidly, in the run up to or before COVID was, as we were starting to roll out our digital strategy, was

whether agents would bristle at the use of a digital channel. What we found through COVID and through the use of leads, which Dennis referred to earlier on, actually, it has given rise to a lot greater acceptance. And then through video technology and the like, it has also supported the efficiency of agents, because I mean, it does not take long to get from one side of Singapore to another, but more generally across the Group, it has improved the productivity of agents significantly.

Michael Chang: Just two follow-up questions. Firstly, in so far that Singapore is seen as a hub for wealth, could you perhaps shed some light. Over the last couple of years, it does seem that Singapore has attracted a fair bit of wealth from across the region. Could you maybe give some indication as to what proportion of your new business profits might come from tapping this wealth coming from offshore versus actual wealth from onshore?

And secondly, in so far that Prudential is unique in that it has two bancassurance partners, is there any difference in terms of customer segmentation, in terms of product mix? And the reason why I asked that is that there is a perception in Singapore that UOB is more of a mass market bank because of its huge branch network and in so far that Standard Chartered is seen as a more foreign bank, maybe it has got a more higher end customer base. I am trying to kind of understand if there is a difference in terms of the product suite that you offer to these two partners in Singapore.

Dennis Tan: Thank you very much, Michael, for the two questions. So first question on Singapore as a hub, as a wealth hub, and your question in terms of whether or not are we seeing a lot more of the offshore opportunities that we are tapping over here. Well, largely, insurance is a very domestically focused kind of proposition, and that is what we have been doing here. So whether or not there could be potential fund flows coming in to Singapore, typically, they will kind of land with the banks first as opposed to with the insurer directly.

So in that sense, we continue, of course, to support our banking partners. But here, back to your question earlier, predominantly all of our business is all written onshore. It is domestically here driven.

So the second question in terms of the banca, and herein lies the interesting thing that we are seeing, because we have two very strategic bank partners that we work with locally here in Singapore, of course, these two, there will be a slight difference. The local bank clearly will have a lot more branches in that sense. The foreign name bank typically will have a segmentation that focuses a lot more on affluent and the high net worth segment.

So working with these two banks and complementing, actually, that brings a lot of value to us as we push out our products to be able to serve these. So, of course, there will be some clients of profile that could be an overlap. But clearly, like what you talked about, Michael, yes, there is that kind of perception out there, but it is largely also quite true because the local bank typically in any country will have a lot more of a branch footprint as compared to a foreign name bank. So we are happy to continue to partner with them and to provide the product solutions to meet all the needs of their various customer segments.

Patrick Bowes: I have got one last question on the web which actually ties into the answer that Dennis has just given. Have you seen a particular interest from Mainland Chinese customers in coming to Singapore to use it as a wealth market?

Dennis Tan: Thank you very much for the question. Clearly, the growth of the North Asian business is something that we observe from an industry, even from a banking industry standpoint. So that is something that we have been seeing. In many of the banks, one of the key growth desks, because they organise their business into different desks, and one of it is actually the North Asia desk. Clearly, that has been rising over the past few years even before the COVID situation. So that is something that the banks have been very focused on.

And again, for us as an insurer, as a product manufacturer and supplier, we continue to partner with our banks to serve all of their customer segments. And whether it comes from North Asia or other countries in the region but Singapore being, again, one of the key wealth management hubs here in this part of the world, we are happy to continue to work with our distributors to be able to provide their customers and to serve their various needs.

Patrick Bowes: Okay. We have got three minutes left. Just back to you, and we will close off.

[END OF TRANSCRIPT]