Confidential

2018 Asia Health Protection Gap

Insights for building greater resilience

IAI 12th Current Issues In Health and Care Insurance - 14 October 2018

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Defining the Health Protection Gap

> The amount of financial stress households face from unpredictable direct medical expenses

Health Protection Gap = Stressful out-of-pocket medical expenses + Notional cost of unaffordable and foregone treatment

About the survey

12 Markets

16,000 consumers

Emerging markets:

- GDP per capita ≤USD15k
- China, India, Indonesia, Malaysia, Philippines, Thailand and Vietnam

Mature markets:

- GDP per capita >USD15k
- Hong Kong, Japan, Korea, Singapore and Taiwan

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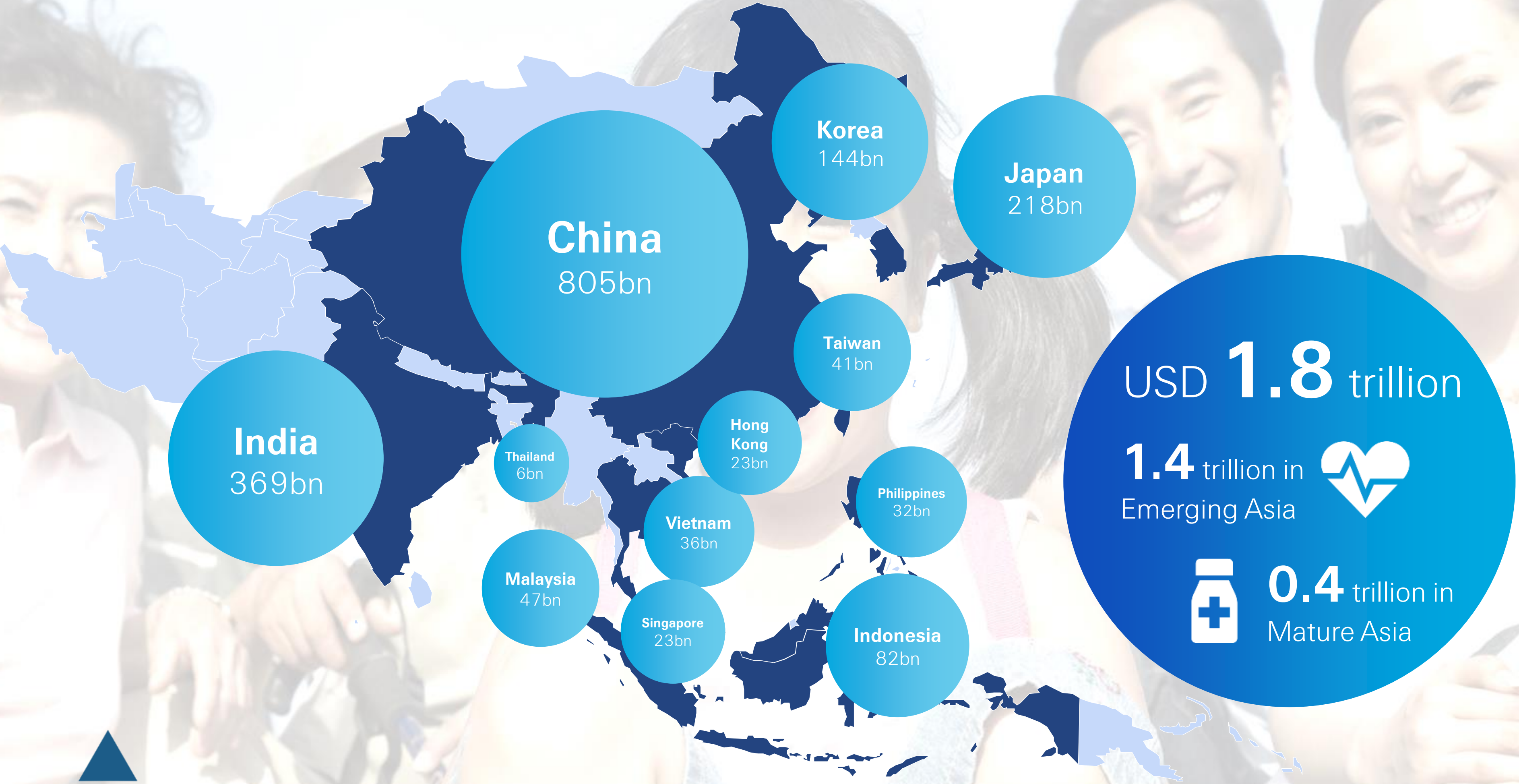
The Health Protection Gap in Asia



Size of bubbles not drawn by scale

The Health Protection Gap in Asia – as a % of household income

Size of bubbles not drawn by scale

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USD1.8tn Health Protection Gap in Asia

Households across Asia are vulnerable to financial stress arising from necessary medical treatment

40 million

households did not undergo medical treatment to avoid financial stress

97%	3%
Emerging Asia	Mature Asia

Simple products can help address this gap

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Asia's Health Protection Gap – Key themes

Overconfidence in own health perception

Prevalence of chronic conditions

Emerging health and wellness behaviours

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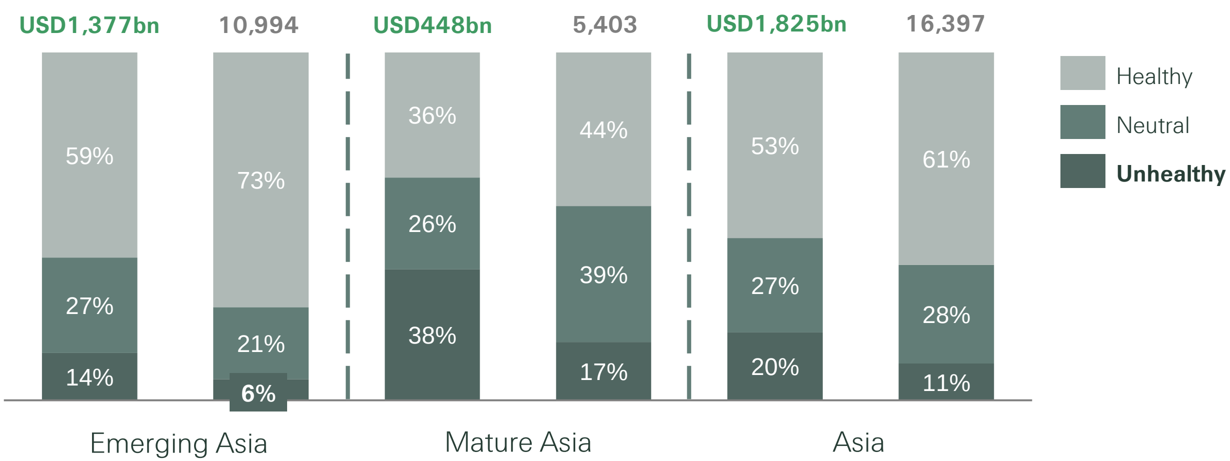
Key trend 1 - Overconfidence

Many self-reported healthy consumers are overconfident about their health

Consumers are **overconfident** about their health

Protection gap vs. respondent distribution by health perception[1]



(1) Health perception in this slide refers to the perception of the respondent, which has been used as proxy for household health perception for the purpose of estimating protection gap

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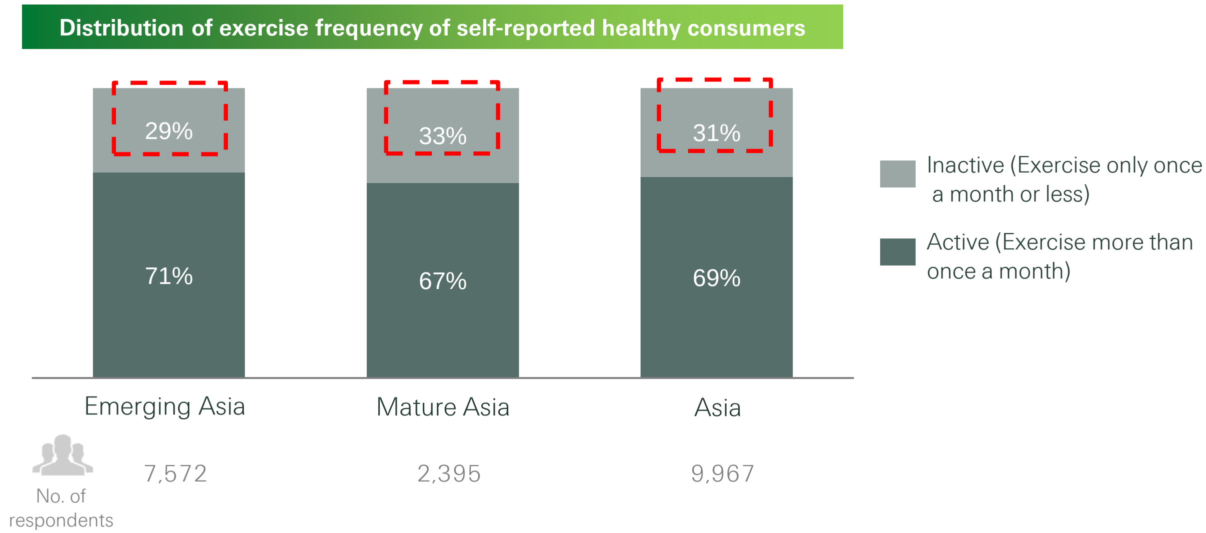
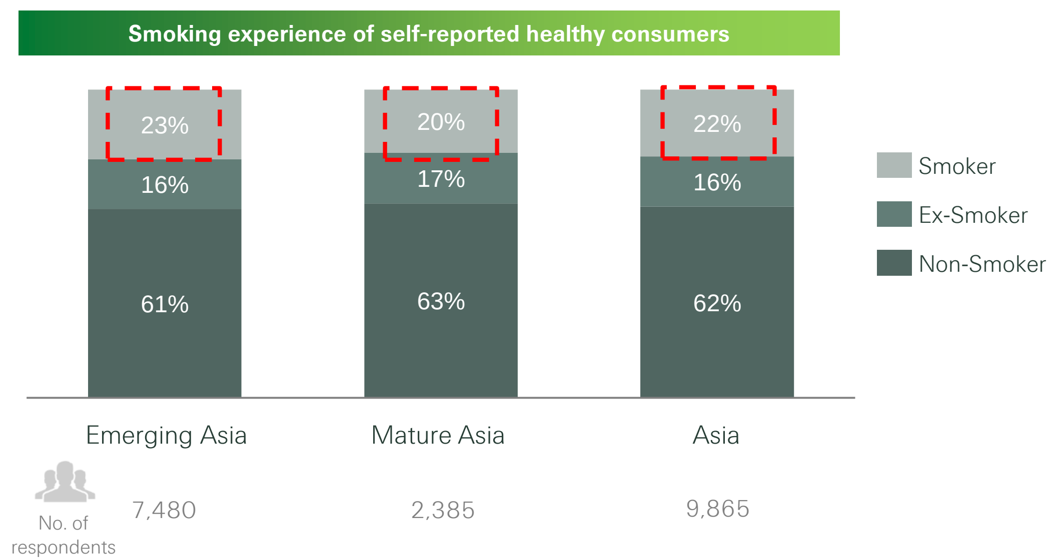
Key trend 1 - Overconfidence

~ 1/3 of consumers who describe themselves as healthy don´t exercise and ~ 1/5 are every-day smokers





(1) Proportion of consumers who exercise only once a month or less, while exercise is defined as physical activity more than 20 minutes long

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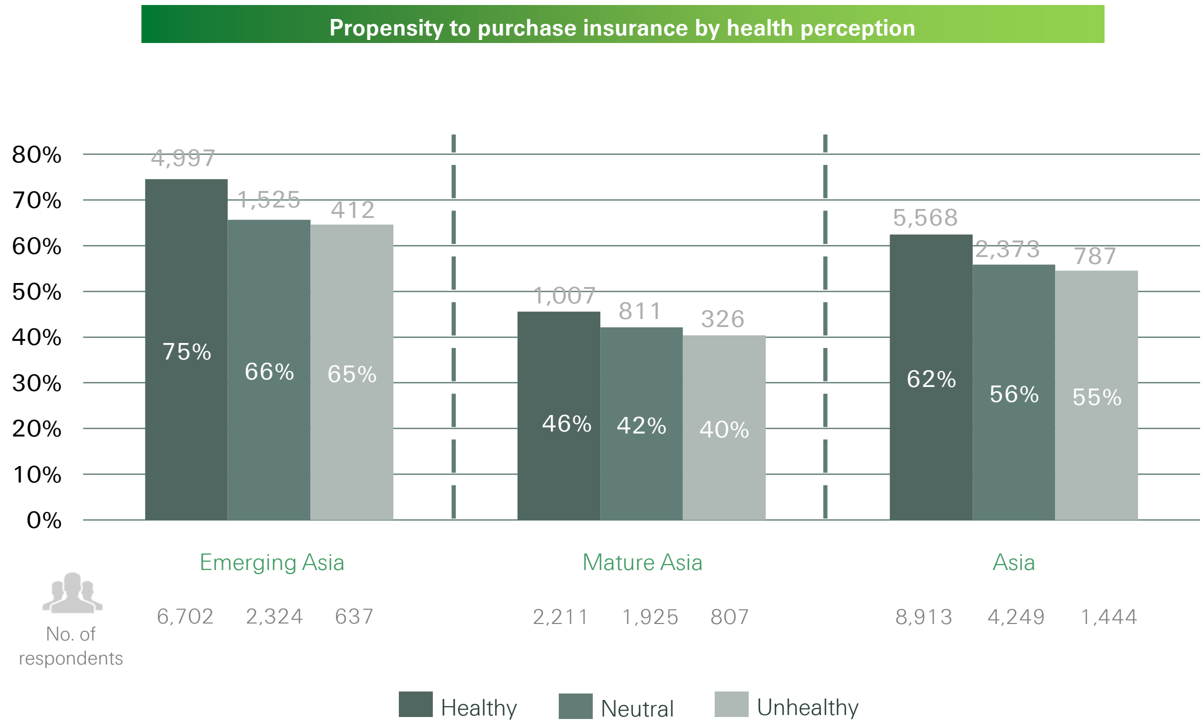
Key trend 1 - Overconfidence

Across Asia, self-reported "healthy" consumers, whilst overconfident, are more likely to buy insurance



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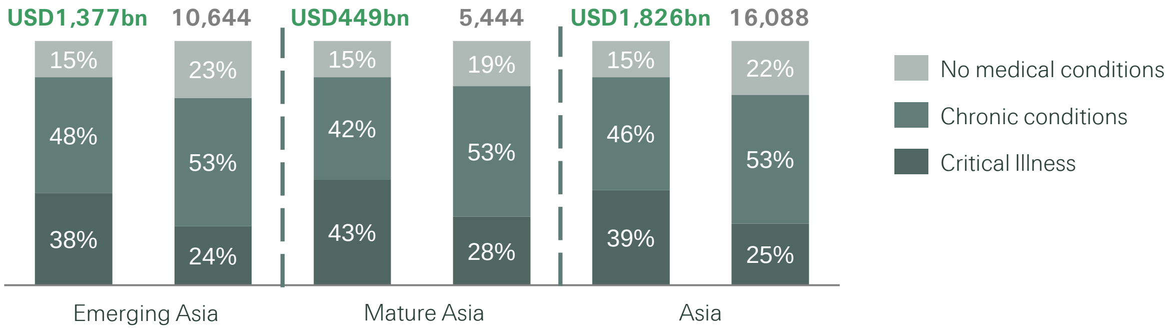
Key trend 2- Prevalence of Chronic Conditions

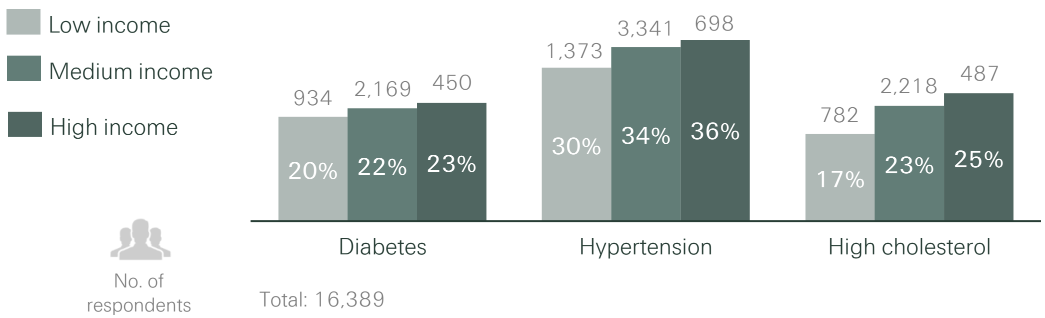
Households managing chronic illness are a major driver of the protection gap

Over half of households surveyed revealed prevalence of chronic illness, attributing to nearly **half of the health protection gap**

Protection gap by household[1] health condition



Top 3 Chronic Conditions for Total Asia



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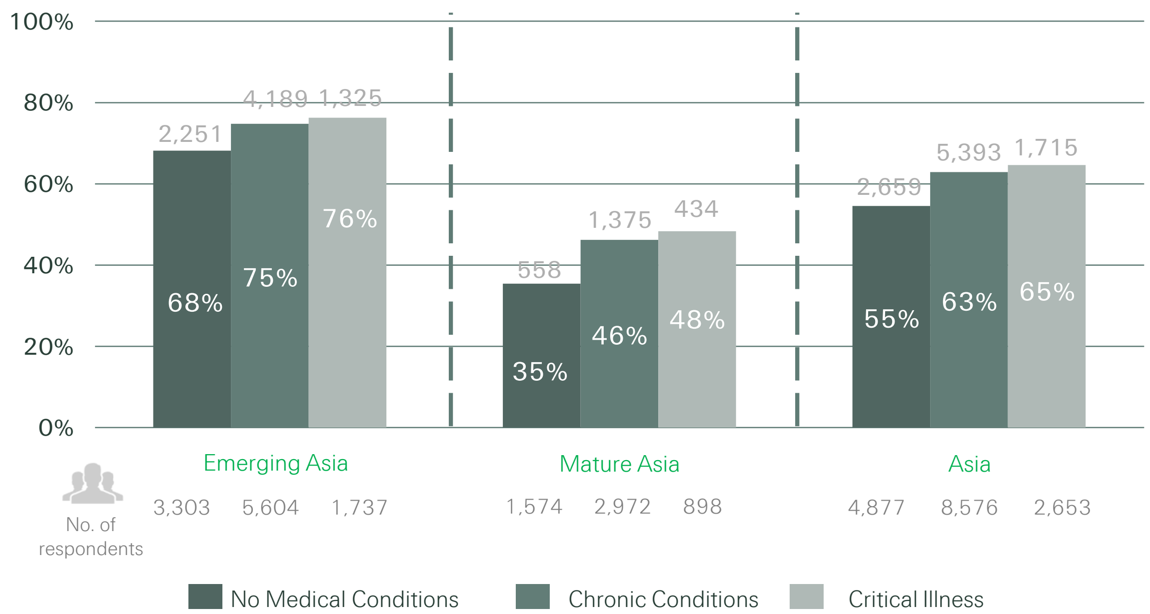
(1) Number of respondents who report health conditions for themselves or any of their household members

Key trend 2- Prevalence of Chronic Conditions

Households managing Chronic Conditions and Critical Illness have higher propensity to buy insurance

Propensity to purchase insurance by health condition[1]

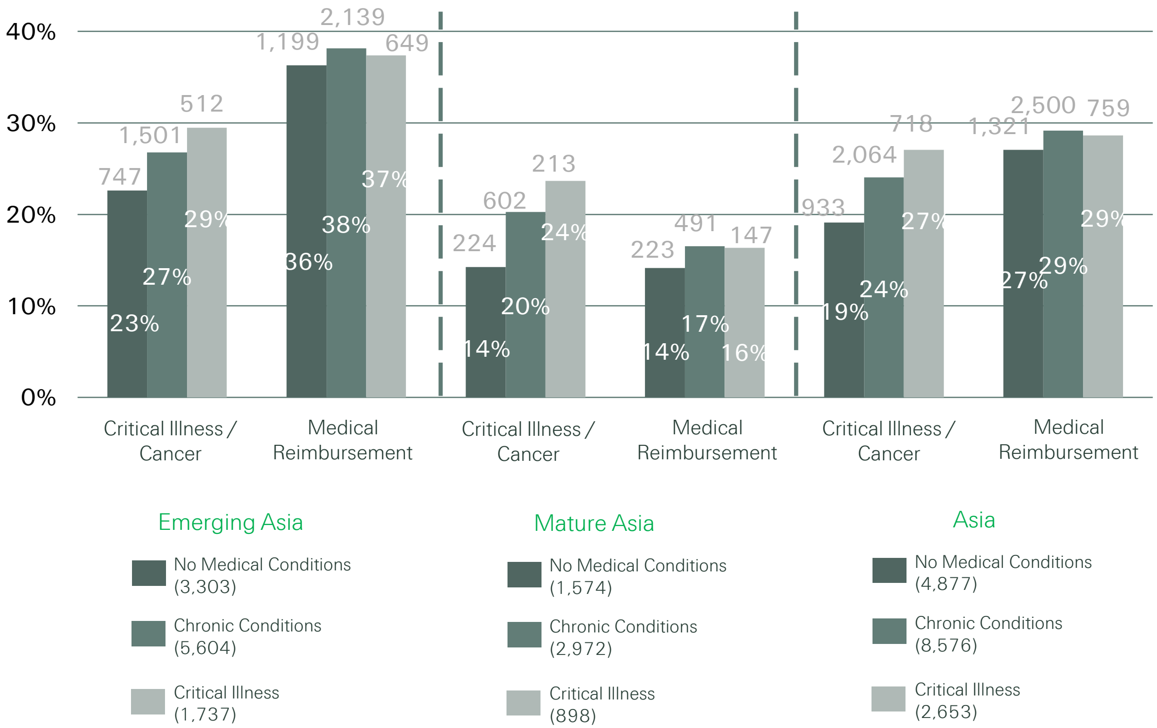


(1) Number of respondents who report health conditions for themselves or any of their household members

Key trend 2- Prevalence of Chronic Conditions

Higher propensity to buy Medical Reimbursement amongst households with Chronic Conditions

Propensity to purchase insurance by health condition[1]



(1) Number of respondents who report health conditions for themselves or any of their household members

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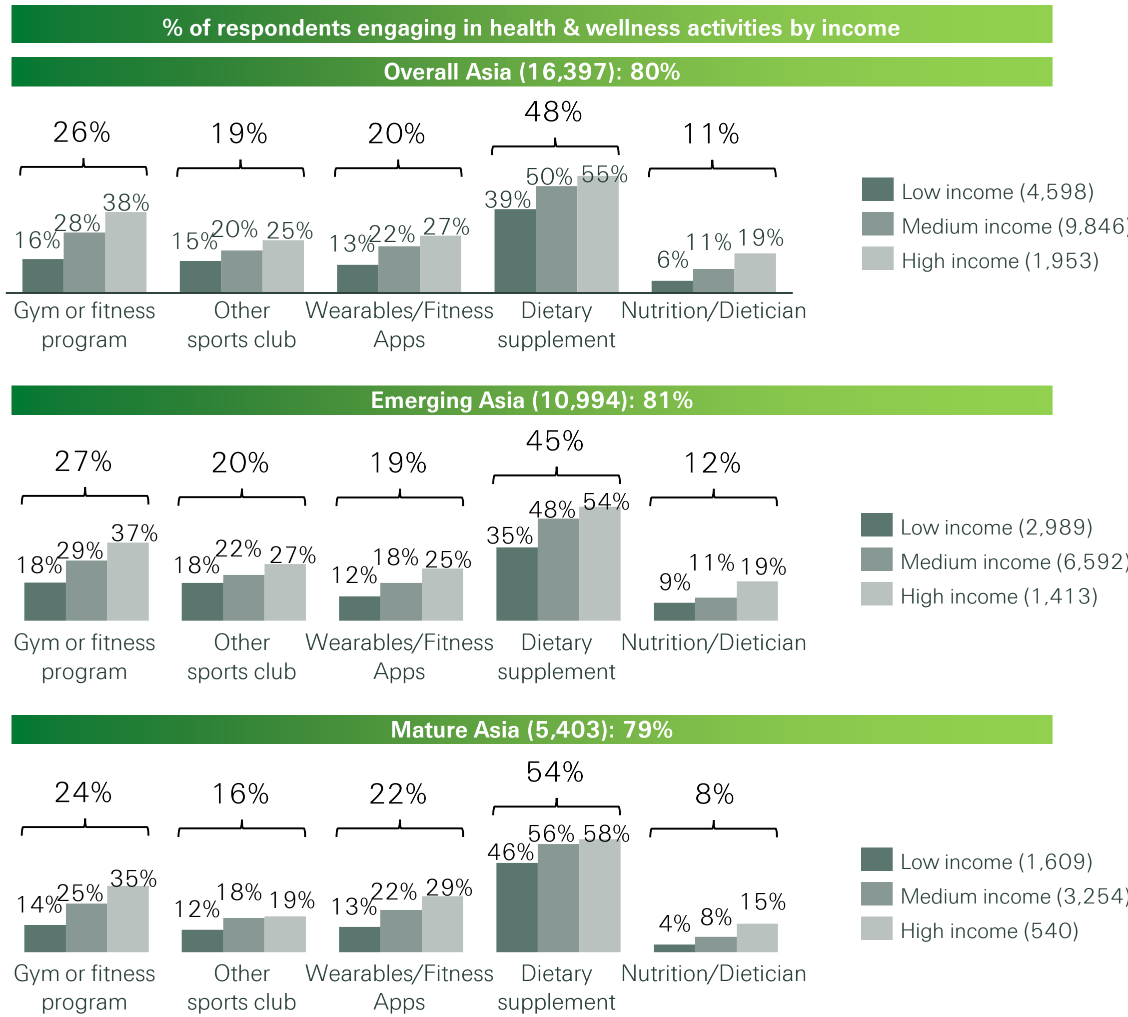
Key trend 3- Health & Wellness

High level of engagement in Health & Wellness activities across Asia

80% of consumers engage in **health and wellness** activities in Asia



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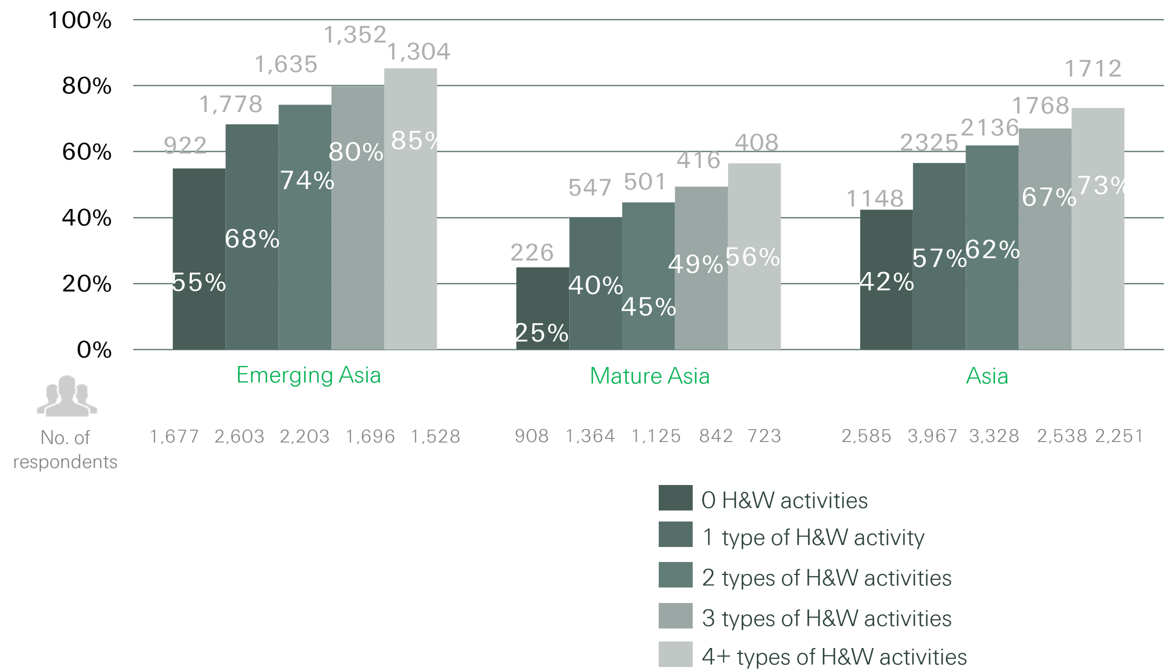
Key trend 3- Health & Wellness

The higher the engagement in Health & Wellness activities, the higher the propensity to buy insurance

Health & wellness participants have a higher propensity to buy insurance

Propensity to purchase insurance by level of participation in health and wellness activities



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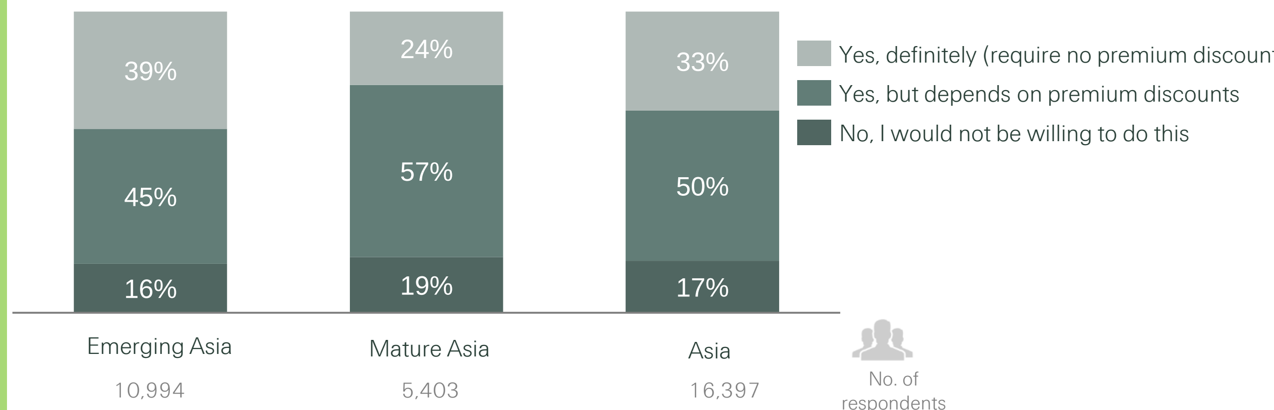
Key trend 3- Health & Wellness

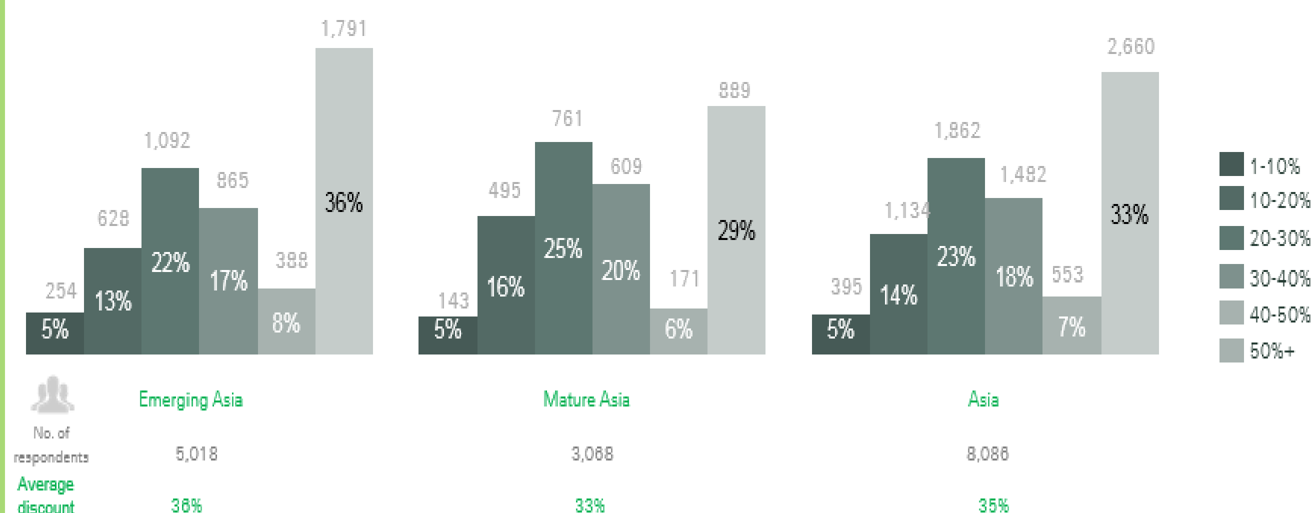
Wearables and fitness apps are used more in Mature Asia. Consumers are willing to share data with insurers, but expect something in return

Health & wellness participants have a higher propensity to buy insurance, and expect a high level of premium discount in exchange for sharing fitness data with insurers

Willingness to share fitness data with insurers



Expected premium discount for fitness data



Key trends of Asia's Health Protection gap

Overconfidence about health status

- 60% perceive themselves as healthy but many are inactive and smoke
- Risk of inadequate health protection contributing to just over half of the gap

Chronic conditions are a key contributor

- Over 50% of the gap due to the financial stress relating to managing and treating chronic conditions

Health & wellness behavior is increasing

- Direct positive correlation between increasing health awareness and increasing propensity to buy insurance

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Opportunities for insurers

Simple products to achieve a baseline level of protection

- Low to medium income segments
- Emerging Asia

Solutions to broaden and deepen coverage to build greater resilience

- Medium to high income segments
- Insurance owners who are under-protected
- Targeted insurance products for different medical expense stresses

Closing the gap for the “overconfident” and those with chronic conditions

- Raise awareness and incentivize healthy behaviors for the overly optimistic
- Integrate disease management to address the rising prevalence of chronic disease across Asia

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Health is a complex issue and spans beyond just the insurance industry

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How we can drive behavioural change

Attract

healthy lives

Promote

higher engagement and retention of policy holders

Help

insureds maintain a healthy lifestyle – the 'shared value proposition'

2018 Asia Health Protection Gap

Key takeaways

It's big: USD1.8tn – largely attributable to emerging markets such as China and India

It means: ~11% of average household income is vulnerable to the financial stress due to unpredictable medical expenses

The reality: >40m households in Asia foregoing treatment to avoid this financial stress

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