



**Private health  
insurance  
perspective:  
challenges and  
opportunities for PHI  
and IPMI in Southeast  
Asia**

International Health Insurance Forum  
February 9, 2023

Ben Assanasen, CEO Thailand  
Fred Hegner, Regional Manager

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# Why are PHI and IPMI Important for Southeast Asia?



- There is a significant **health protection gap** in Southeast Asia. According to a pioneer study from 2018, most countries in SEA have a protection gap ranging from \$6 to \$82 billion USD. On average, this represents **10% of annual household income**.
- **97% of households across Southeast Asia** cannot afford some or any health-related treatment.
- **Governments and the public sectors** are challenged to offer more support or funding to close this gap, hence the need for private insurance.

## What is the health protection gap?

The amount of **financial stress** households in Asia are facing:

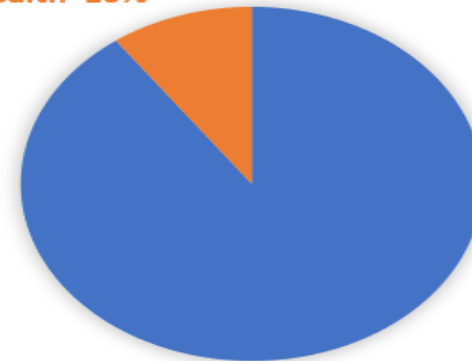


Direct,  
out-of-pocket  
medical expenses



Unaffordable  
medical expenses  
avoided by  
households

Income  
Needed for  
Health 10%



### Emerging Asia

<b>Thailand</b> \$6 billion	<b>Malaysia</b> \$47 billion
<b>Vietnam</b> \$36 billion	<b>Indonesia</b> \$82 billion
<b>Philippines</b> \$32 billion	

# Trends driving the health protection gap in Southeast Asia



➤ **Problem:** 50% of the health gap comes from **overconfidence**. 73% of consumers are **overconfident** in their own health and think they do not need health insurance.

Outlook: Opportunity for health insurance products that raise awareness.



➤ **Problem:** People are aware of the benefits of physical fitness, but do not spend enough time exercising.

- ✓ Only 26% have joined a personal fitness program or gym.
- ✓ Only 19% have purchased a wearable device.
- ✓ **But 58% anticipate increased spending** for private health insurance.



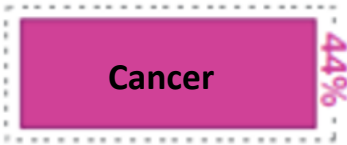
Outlook: Opportunity for insurance products that offer health and wellness programs/incentives.

➤ **Problem:** The other 50% of the health gap comes from expensive **chronic health conditions**

- ✓ The top three represented conditions are: **1) hypertension 2) cancer and 3) diabetes**
- ✓ **63% of consumers** with chronic health conditions are more likely to purchase insurance

Outlook: Opportunity for insurance products that focus on lifestyle-related chronic conditions.

% increase in claims cost for top 3 chronic diseases in SEA (2017-2020)

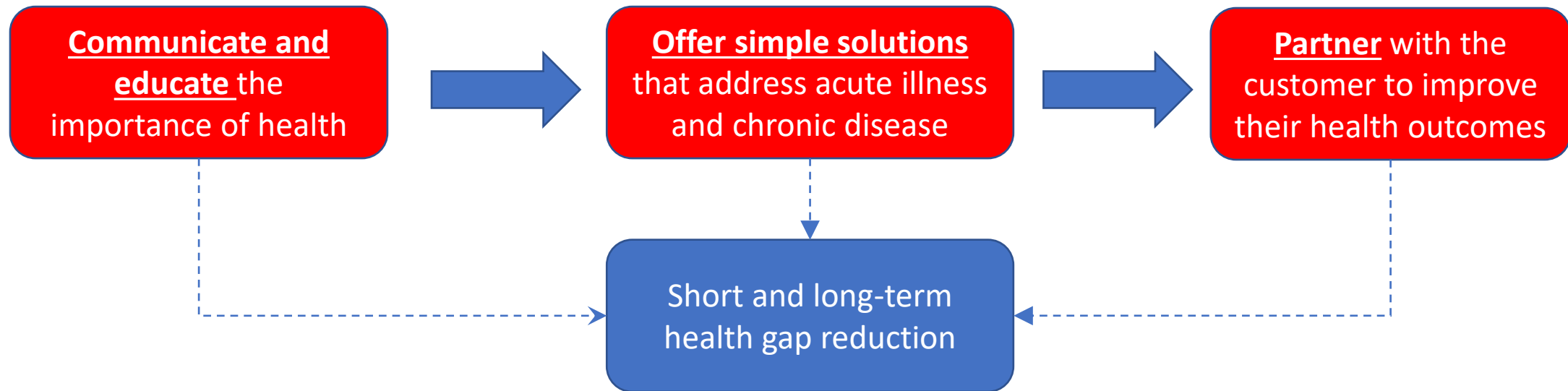


# How the PHI and IPMI industry can address the protection gap



Some predictions for 2030:

- The health protection gap in Southeast Asia will continue to outpace insurance penetration. This is because of rising medical inflation and the public sector's inability to fund healthcare in many countries.
- Those over 60 years of age will grow 50% by 2030 and chronic disease will represent 71% of total mortality\*. With dynamic risk prevention and marketing, health insurers are poised to capitalize on this segment if properly planning for it now.



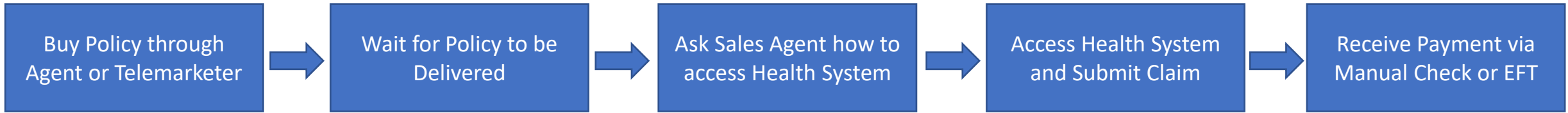
- Insurance can play a key role in closing the protection gap by focusing on these three things: 1) communicate and educate, 2) offer simple solutions, and 3) partner with the customer.



# Digital innovations are shaping the PHI and IPMI landscape

- The customer journey for health insurance has radically transformed over the last ten years. It has gone from a one-dimensional linear process to a dynamic “health partner ecosystem” offering the customer multiple choices and touchpoints.
- This dynamic ecosystem is continuous and transparent to the customer helping them to become more educated in their own choices thanks to the help of digital technology.

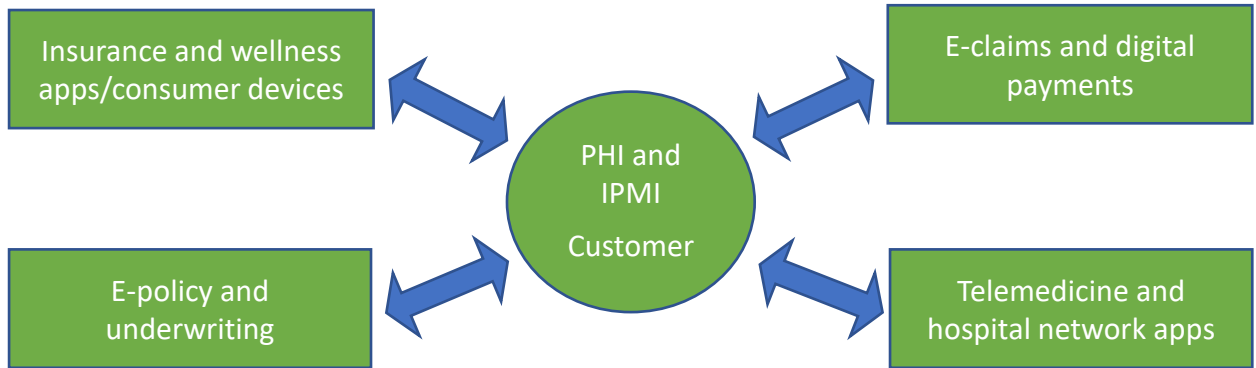
## Traditional Customer Journey for Health Insurance:



## New Customer Journey for Health Insurance:

...but PHI and IPMI insurers are still lagging behind

- Only 57% have operating models that fully facilitate digital\*
- 89% agree they must introduce fully-digital models over the next 3 years\*





# Opportunities for PHI and IPMI in SEA

- **Simplicity** – boil down the elements of risk to key concepts the targeted consumer can understand. Keep the number of product or service “definers” to no more than five.
- **Price** – make pricing as transparent as possible. If you are not aiming to be the lowest cost, make some element of your product or service clearly stand out as the best value with price aggregators.
- **Accessibility** – offer products with policies and services delivered 100% digitally. If you can’t deliver through email, app notification, direct message, or social media, rethink your strategy. Make sure all your distribution channels can get in the act with the available technology.
- **Necessity** – raise awareness of the need for protection through every social media outlet with convincing data that speaks to the target consumer. Shout it to the top of the mountains and then keep shouting with innovative marketing campaigns.

# The Southeast Asian market: ripe with opportunities



- The Asia insurtech space is dominated by players in China and India who have received the lion share of funding (*Ping An, Zhongan, Digit, Acko, etc.*)
- Insurtechs were valued at \$1.5 USD billion in 2020\*, but it is expected that 25% may shut down if funding dries up in 2023. Strong opportunities remain for PHI and IPMI companies to partner with insurtechs to keep their expenses and R&D costs low.
- Some notable PHI and IPMI developments in Southeast Asia in 2021 and 2022:
  - April acquires A+ (an IPMI MGU) in Hong Kong
  - Allianz acquires Aetna Health (formerly BUPA) in Thailand
  - Chubb acquires Cigna Health in six markets across Asia and SEA
  - AIA acquires Medicard in Philippines
  - Generali acquires AXA-Affin Joint Ventures in Malaysia
  - The two largest insurtechs (by valuation) in Southeast Asia: Sunday Insurance (Thailand) and Qoala marketplace (Indonesia)
- Travel in 2023 is already on the rise. After stagnant travel and relocation in 2021 and 2022, IPMI is poised to rebound significantly.



# Building a digital health ecosystem: important partnerships



Building a comprehensive digital health ecosystem takes time and careful planning. Some of the key partnerships for PHI and IPMI include:

## ***Lifestyle wellness scoring, telemedicine, and medical second opinion packages and discounts***

- Lifestyle and Health Scoring and Rewards: smart devices and advanced diagnostics such as health scoring provide instant feedback to customers to provide powerful insights and help customer's address their health insurance needs.
- Telemedicine: more consumers are using telemedicine due to pandemic social distancing.
- Medical Second Opinion services: becoming more valuable as more Critical Illness and Disease insurance products are marketed.

Lifestyle and Health Scoring and Rewards



Telemedicine



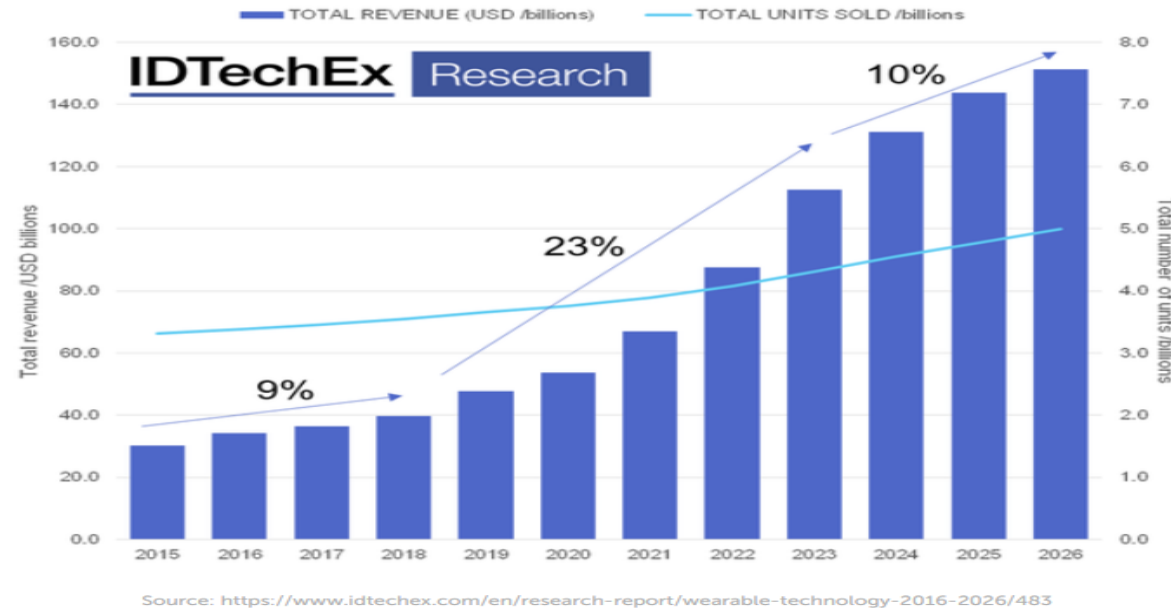
Medical Second Opinion (MSO)



# Building a digital health ecosystem: health wearable market



The health wearable market is expected to reach USD \$115 billion by end of 2023 with a CAGR of 23%. Expected to be a \$140 billion market by 2026.



Besides smart watches and fitness trackers, here are the newest trends that will continue to grow:

- Smart Rings
- Smart Glasses
- Smart Clothing – biometric garments to measure numerous parts of the body
- Medical Monitoring Devices – new advances can help you measure blood sugar, blood pressure and hydration levels (include electronic tattoos, epidermal patches, and subdermal sensors)

# Values that the PHI and IPMI industry should embrace



- **Be Bold** – Take calculated risks. Take two steps forward even if it involves one step back. Have a culture that rewards innovation and risk-taking.
- **Better Together** – The team setting is the greatest incubator of creativity; you should offer your employees multiple ways to find their “space” within the team. Building strong partnerships with embedded products is an optimal way to grow our business.
- **Make It Simple** – Strive for simplicity at the core of everything you do and aim for bite-sized products. You do not need to be a one-stop solution for everyone. Customize products for your target markets and don’t look back.
- **Be Customer Obsessed** – Treat the Net Promoter Score for your customers, partners, and employees seriously as a key pillar of your culture. Your success is intrinsically tied to the Net Promoter Score.



# Important lessons to help overcome challenges

- **Plan your Marketing before Planning your Product:** you don't have the time or money to boil the ocean – find your playground and stick with it.
- **Build Your Audience before Building your Product:** a brand does not happen overnight – think about what kind of customer you want and how to attract them.
- **Sell your Solution before Selling your Product:** don't forget to raise the awareness first – if you don't understand the need for something, your customer won't either.

# Additional lessons for PHI and IPMI



- **Be audience focused and not competitor focused** – understand your customers' needs rather than making assumptions based on what your competitors are offering. Be simpler than your competitor.
- **Don't sell a product, sell an experience** – look at other's success: Rolex does not sell watches, they sell status. Apple does not sell electronics, they sell functional art. Insurers do not sell insurance; they sell a promise and peace of mind.
- **Leverage all your distribution (aka don't forget the agents and telemarketers)** – being digital does not mean just having an app and website to sell products and services from. Leverage and support your entire distribution system with the tools they need to drive success.
- **Brand awareness is not a sprint but a marathon** – brand awareness takes time to build especially if you are looking to change your identity. Be patient and methodical in your efforts to build brand.
- **Don't be afraid to adopt new technologies early** – pioneers are frequently rewarded more than those looking to jump later.

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