



Health Protection Gap in the Asia-Pacific region will hit USD197 billion in 2020

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- **Total healthcare costs in the Asia-Pacific region are projected to increase by 8.2% annually to USD2.7 trillion by 2020.**
- **The region could face a potential shortfall in healthcare financing of USD197 billion in 2020, which will require additional fiscal spending or higher out-of-pocket funding by individuals.**
- **Emerging markets will see even faster growth in healthcare costs during this period.**
- **Private insurance plans have strong value propositions to support individuals to better manage their future healthcare financing needs.**

28 November 2012, Hong Kong – The Health Protection Gap in the Asia-Pacific region could reach USD197 billion in 2020, according to Swiss Re's latest study, entitled *Health Protection Gap: Asia-Pacific 2012*. This study is the first of its kind which presents and compares the Health Protection Gap across 13 markets in the Asia-Pacific region: Australia, China, Hong Kong, India, Indonesia, Japan, Malaysia, the Philippines, Singapore, South Korea, Thailand, Taiwan and Vietnam.

The Health Protection Gap is defined as the difference between the level of healthcare costs which would be required to meet consumer needs, versus the amount that would be available to cover those costs, if society's total healthcare expenditure remained a constant percentage of GDP.

"This study compares the Health Protection Gap across the region and highlights trends over time. This shows the developing need for more health and medical insurance across Asia-Pacific," says David Alexander, Head of Business Development Asia, Swiss Re.

According to the study, the biggest Health Protection Gaps by 2020 are in China, India, Japan and South Korea.

"The wide range in Health Protection Gaps across Asia-Pacific is partly due to the differences in the size of both the population and the economy from market to market. To filter out this factor, we also computed the gap per capita," Alexander continues.

Even in the more developed economies, which are perceived to have more mature insurance markets, the Health Protection Gap per capita can be substantial, which is at least partly explained by the demand for higher quantity and quality of health and medical services.

Asia-Pacific healthcare costs to reach USD2.7 trillion by 2020

The breakdown of healthcare expenditure varies across Asia-Pacific markets¹. In 2010, more than half of the regional governments had to bear over 40% of the total healthcare expenditure, with Japan covering the highest proportion (83%). The other main funding source was out-of-pocket expenses, which ranged from a low of 14% (Thailand) to 61% (India) of total healthcare expenditure. Private prepaid plans contributed less than 10% of the total healthcare expenditure for all the markets covered in this report, with the exception of Taiwan which came in at 19%. The total healthcare costs in Asia-Pacific are projected to increase to USD2.7 trillion by 2020, from USD1.2 trillion in 2010.

This figure is based on projections of economic growth, medical inflation and population growth in the 13 Asia-Pacific markets covered. However, there will be faster growth in emerging markets, which currently have lower healthcare expenditure as a percentage of GDP.

Based on Swiss Re's projections, the average real GDP growth rate from 2014 to 2020 for Asia-Pacific will be about 5%. Robust economic growth, especially in the emerging Asian countries, will bring additional demand to the health and medical industry.

"People and countries tend to spend more on health and medical as they get wealthier. With economic growth in Asia-Pacific, especially in emerging markets, rising household income will lead to higher spending on health and medical care," says Clarence Wong, Head of Economic Research & Consulting, Asia-Pacific, Swiss Re.

Insurance industry needs to work together to better manage the Health Protection Gap

In more than half of the markets covered in this study, the growth of medical costs has outpaced inflation. This means that people will need to grow their spending on healthcare or invest at a rate of return higher than inflation in order to cope with rising medical costs, which does not seem possible at such a scale.

¹ Sources: The World Health Organization; Food & Health Bureau (Hong Kong SAR); Department of Health, Executive Yuan, R.O.C. (Taiwan)

"We would suggest the health and medical insurance sector to re-think how to best educate and guide the general public, by working together as an industry to promote greater awareness of the benefits of insurance protection for the general public. It will be essential to develop new products to be sold via new and existing distribution channels and to provide efficiency in client and product services, in order to better manage the Health Protection Gap across Asia-Pacific", says Alexander.

Figure 1: Definition of Health Protection Gap

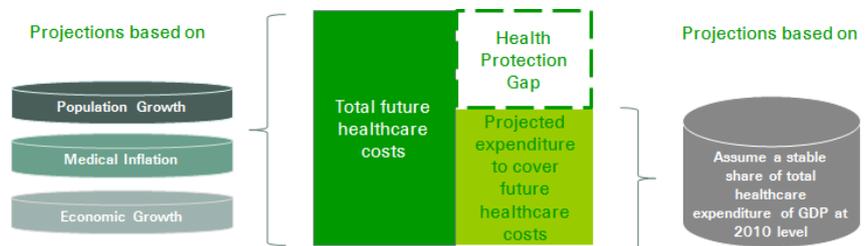


Figure 2: Health Protection Gap projections in Asia-Pacific

USD bn	2011	2014	2017	2020	CAGR* (2011 to 2020)
China	3.2	12.2	40.1	73.0	42%
India	2.2	10.2	23.2	43.6	39%
Japan	1.4	17.4	23.8	28.7	40%
South Korea	0.4	4.5	9.2	16.7	51%
Australia	0.2	2.6	4.5	8.2	51%
Indonesia	0.1	2.0	4.5	8.0	63%
Thailand	0.5	2.2	4.2	6.5	33%
Malaysia	0.1	0.5	1.8	4.1	51%
Taiwan	0.3	0.9	1.9	3.2	30%
Philippines	0.1	0.4	1.2	2.5	43%
Vietnam	0.1	0.6	0.7	1.3	33%
Hong Kong	0.3	0.5	0.8	1.1	16%
Singapore	0.1	0.1	0.2	0.6	22%
Total	9.0	54.2	116.0	197.4	41%

* CAGR = compound annual growth rate

Source: Swiss Re projections

Note: Figures in individual markets may not add up to the total due to rounding.

Notes to Editors:

The full study report is available to journalists on request (asia@swissre.com).

Methodology

Data has been collected from various public sources, such as the United Nations, the International Monetary Fund and national statistics. Missing data points have been estimated by Swiss Re Economic Research & Consulting.

In this study, the Health Protection Gap is measured as the difference between (S1) and (S2) -

(S1) is the level of healthcare costs that would be required to meet consumer needs, based on considerations including population growth, economic development and healthcare cost increases;

(S2) is the amount that would be available to society to cover expected future healthcare costs, if total healthcare expenditure remained a constant percentage of 2010 GDP (except for Hong Kong's case which assumes a constant 2009 healthcare expenditure-to-GDP ratio). Here it is assumed that regional governments will make efforts to contain the growth in healthcare spending.

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