



Over 60% worry about rising retirement healthcare expenses in five key markets in Asia

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- **Over 60% of people surveyed in five key Asian markets worry about healthcare becoming more expensive as they get older.**
- **Heavy reliance on personal savings and government healthcare schemes to fund health expenses in retirement.**
- **Over 65% think that health insurance is essential for protection.**

Hong Kong, 13 December 2012 – The world's ageing population continues to expand, as scientific and medical advancement enables people to live longer. This presents enormous challenges for government and society, as well as the insurance industry.

To better understand consumers' behaviour and perception of their retirement and healthcare planning, Swiss Re has conducted a survey entitled *Spotlight on Consumer Health: Healthcare Funding in Retirement – Planning for the Golden Years*, among more than 2,400 respondents in five key Asian markets: namely China, Hong Kong, South Korea, Singapore and Japan.

This survey defines respondents aged 40-59 as "Pre-retirees" and respondents aged 60 and above as "Retirees" and compares findings between these two age groups.

Key sources of healthcare funding in retirement: (1) Savings (2) Government

Both Pre-retirees (ranging from 54% in South Korea to 73% in Japan) and Retirees (from 69% in Japan to 92% in South Korea) plan to rely heavily on their savings to fund future health expenses in retirement. In addition, these groups may rely on government healthcare schemes, although the majority of them in all markets surveyed said their respective government's healthcare provision is not sufficient to meet their needs. Pre-retirees will find healthcare solutions for themselves but fewer Retirees will do the same, relying instead on their own savings and their family's support. As many as 50% of Retirees in Hong Kong and 33% of Retirees in Singapore depend on family support.

Around two-thirds of Pre-retirees and over 60% of Retirees worry about the rising cost of healthcare, and 73% of Pre-retirees and 66% of Retirees believe that health insurance is essential for their protection.

"Healthcare expenses can pose a serious financial challenge to people's retirement plans", says Robert Burr, Swiss Re's Head of Life & Health Asia. "People should understand the value of insurance and that holding cash as a way of hedging against future ill health is ineffective and cumbersome. Insurance can also pose less risk than other financial tools in terms of protecting savings in the case of serious health events."

Lower preparedness for post-retirement health expenses

Preparedness for health and medical expenses in retirement varies considerably across the region and age groups.

Pre-retirees in China (50%), Hong Kong (60%) and Singapore (74%) tend to be better prepared for future health expenses in retirement. On the other hand, only around one third of Pre-retirees in South Korea (31%) and Japan (34%) are adequately prepared for such expenses.

Compared with Retirees in the other four markets, Retirees in Hong Kong (44%) are the least prepared for their future health expenses in retirement. Hong Kong also has the lowest percentage of Retirees who own insurance; many Retirees do not see the need for insurance, and rely on family support instead.

"Insurers play a vital role in helping Retirees understand the value of insurance to help them prepare for their future healthcare needs", says Burr. "More work has to be done to educate them to view insurance as a good potential source of funds in retirement – one that carries a lower risk than investment – to ease the financial burden on self and family."

Consumers like simple, convenient and value-added health insurance products

In most of these markets, there exists a moderate level of insurance purchase intent. For example, in China, 57% of Pre-retirees expressed intent to purchase any insurance in the next year. However, intention to purchase more insurance is significantly lower among Retirees, with perceived high costs, existing government provision and not seeing the need for insurance acting as key barriers.

"It is essential for insurers to re-think their consumers' needs and develop simple and affordable health insurance products for retirement," says Marianne Gilchrist, Swiss Re's Head of Health Solutions Asia. "Product innovation is key. Packaged health insurance with value-added features such as additional cancer benefits and regular medical check-ups may help trigger further interest among Retirees."

Agents are the most preferred purchase channel

The survey also looked into the purchasing preferences of Pre-Retirees and Retirees. Agents are the most popular channel, especially for Retirees across all markets. That said, the internet, particularly the websites of insurance companies, is a key emerging channel for information as well as purchase.

"It is worth noting that many people are willing to pay a premium of around 20-25% on average to avoid answering questions about their health when applying for insurance. Pre-retirees in Hong Kong stated that they would pay 49% more to avoid answering such questions," says Gilchrist.

Figure 1: How people plan to fund their future health expenses

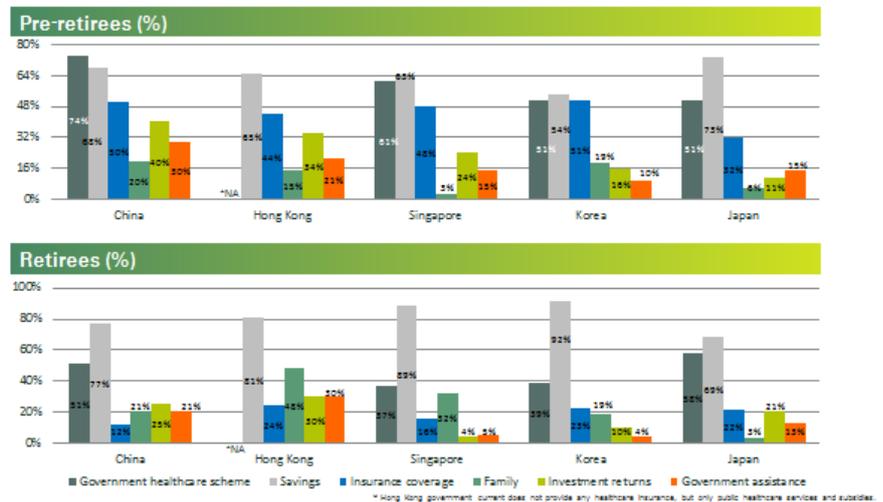
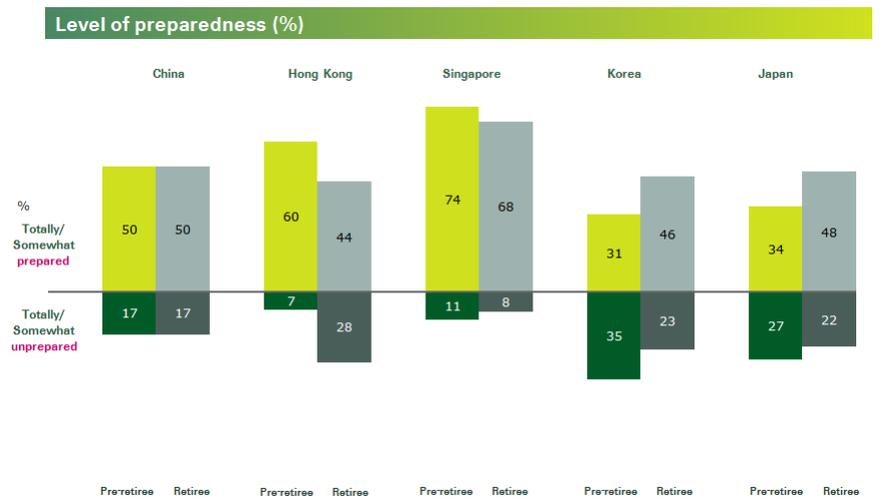


Figure 2: Level of preparedness for future health expenses



Note to Editors:**Methodology**

Spotlight on Consumer Health: Healthcare Funding in Retirement – Planning for the Golden Years focused on five key markets: China, Hong Kong, Singapore, South Korea and Japan, and combined online surveys among Pre-retirees and face-to-face interviews with Retirees. The research sample included more than 2,400 respondents. Quotas for the study were designed to ensure that the sample broadly represented the top 50% of the population in each market in terms of wealth/income.

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