

PROTECTION: A MARKET IN NEED OF CHANGE

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Sales in the Protection market are in decline

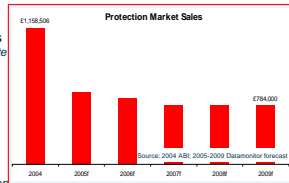
- Quarterly protection sales in Q1 05 have declined by some 28% from the peak in Q3 03
Source: Morgan Stanley, Revisiting Competition in the UK Life Market, Aug 2005
- Housing market expected to slow - over 50% of current protection sales are mortgage related
Source: Money Marketing, 16/05/05

Confusion for the consumer over what is actually covered & negative publicity on declined claims
Articles are increasingly appearing in the press, leading to a decrease in consumer confidence and a lack of trust towards insurers.

Rising cost of critical illness premiums leading to fewer re-broking opportunities
Despite market-wide rate cuts, the more recent rate changes have shown an increase in premium

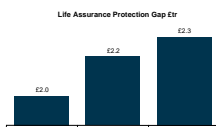
Impact of new regulatory regime and treating customers fairly
This could be feeding into the rising premiums

Nothing changed in decades in the intermediary market
Despite consumer needs changing there have been few real product developments

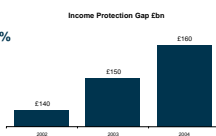


However, the need for protection has never been greater

- There is a gap of £2.3 trillion in life insurance
- There is a gap of £300 billion in critical illness insurance
- There is a gap of £160 billion in income protection



- Excess of 40% of consumers believe they hold income protection cover. Industry data suggests that the figure is actually closer to 15%



UK mothers tackle tasks around the home worth £407 a week on average. If tragedy struck Mums today, Dads would have to find a whopping £21,184 pa if they wanted to pay someone else to do the work for them.

Industry Research, Mar 2004