



Back to Basics 2009

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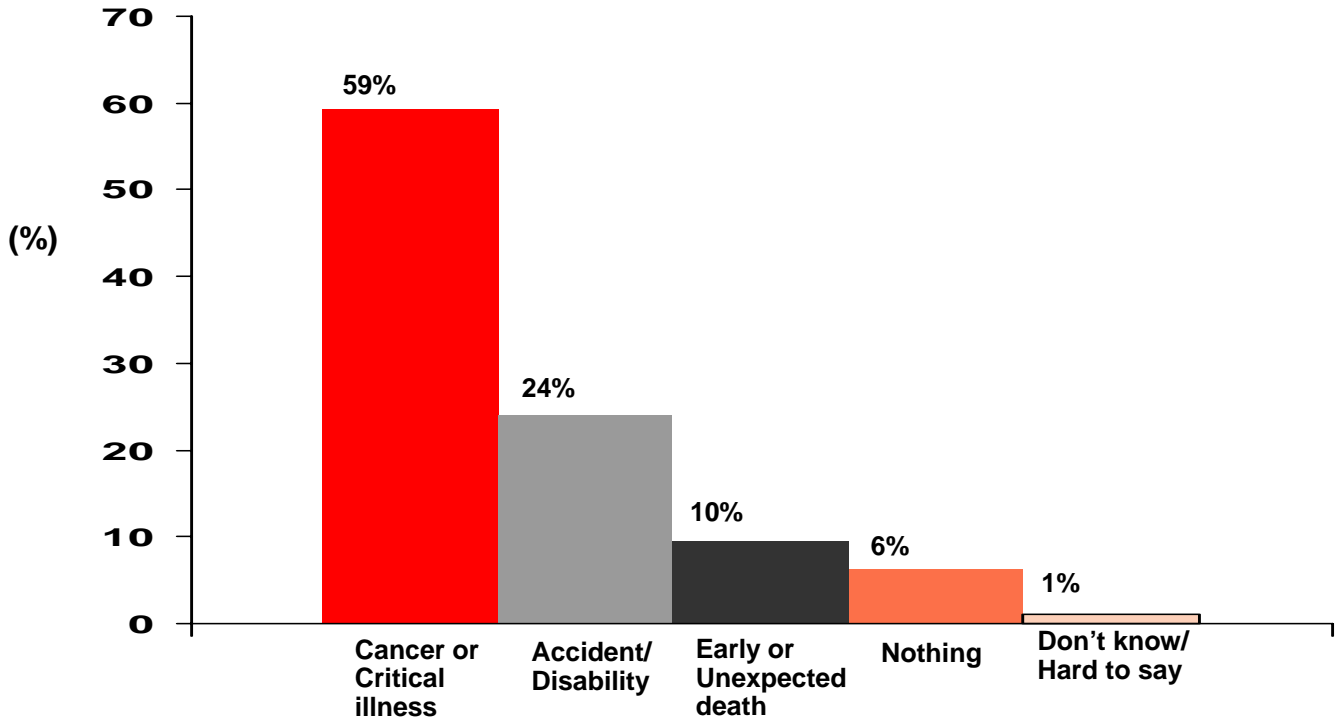
Methodology

- Survey conducted by The University of Hong Kong's Public Opinion Programme
- Covers people's attitudes towards risk, protection and long-term savings in the context of the current financial crisis
- 503 respondents from the working population aged 18-65 with monthly personal income in excess of HK\$8,000
- Fieldwork conducted in January 2009

Back to basics: survey findings

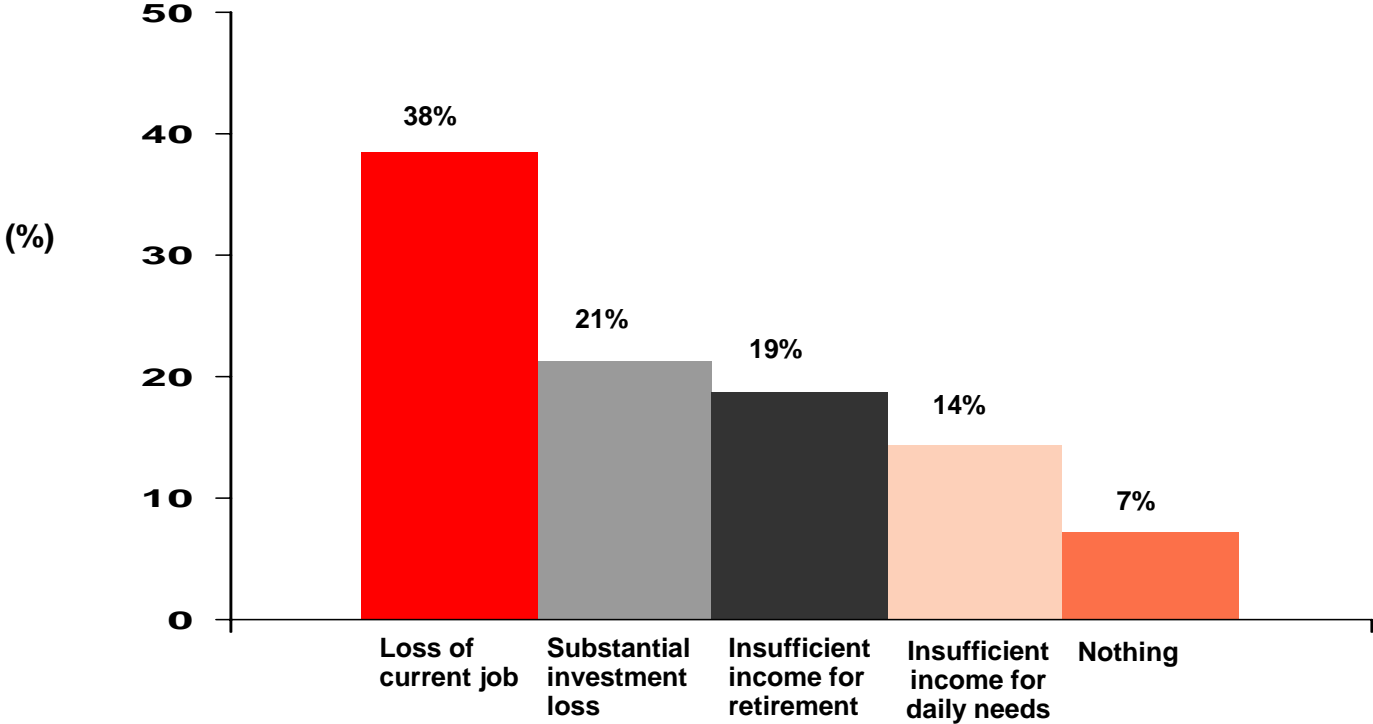
Jason Sadler, Managing Director, Insurance Business Hong Kong
HSBC Insurance

Cancer or critical illness is the prime health concern for most Hong Kong people



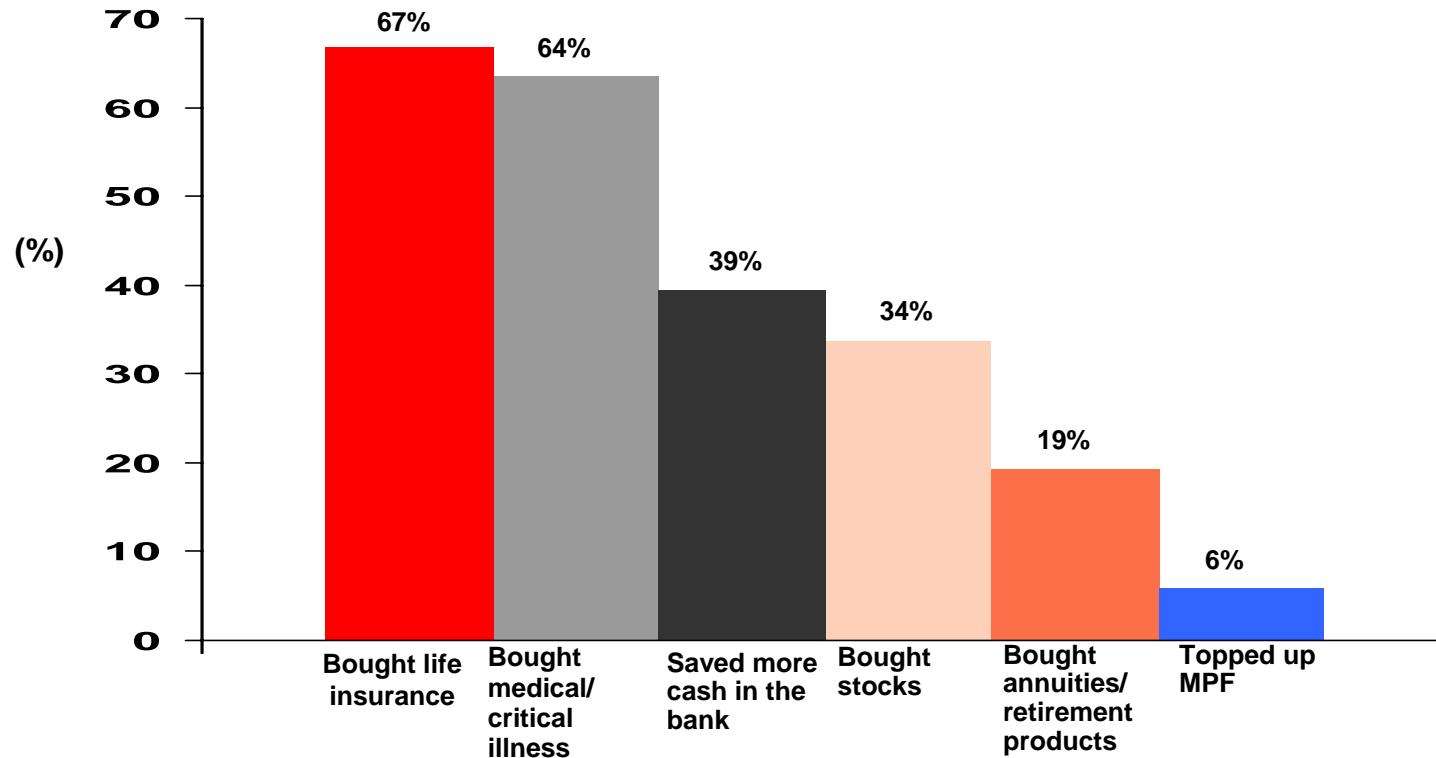
- Top three leading causes of death in 2007: cancer, heart disease, pneumonia (Source: Department of Health)
- Increasing medical costs can put strain on a family's financial situation and lifestyle

Job losses and investment losses are top financial concerns for Hong Kong people



- Focus on survival and recovery
- Retirement worries take a backseat

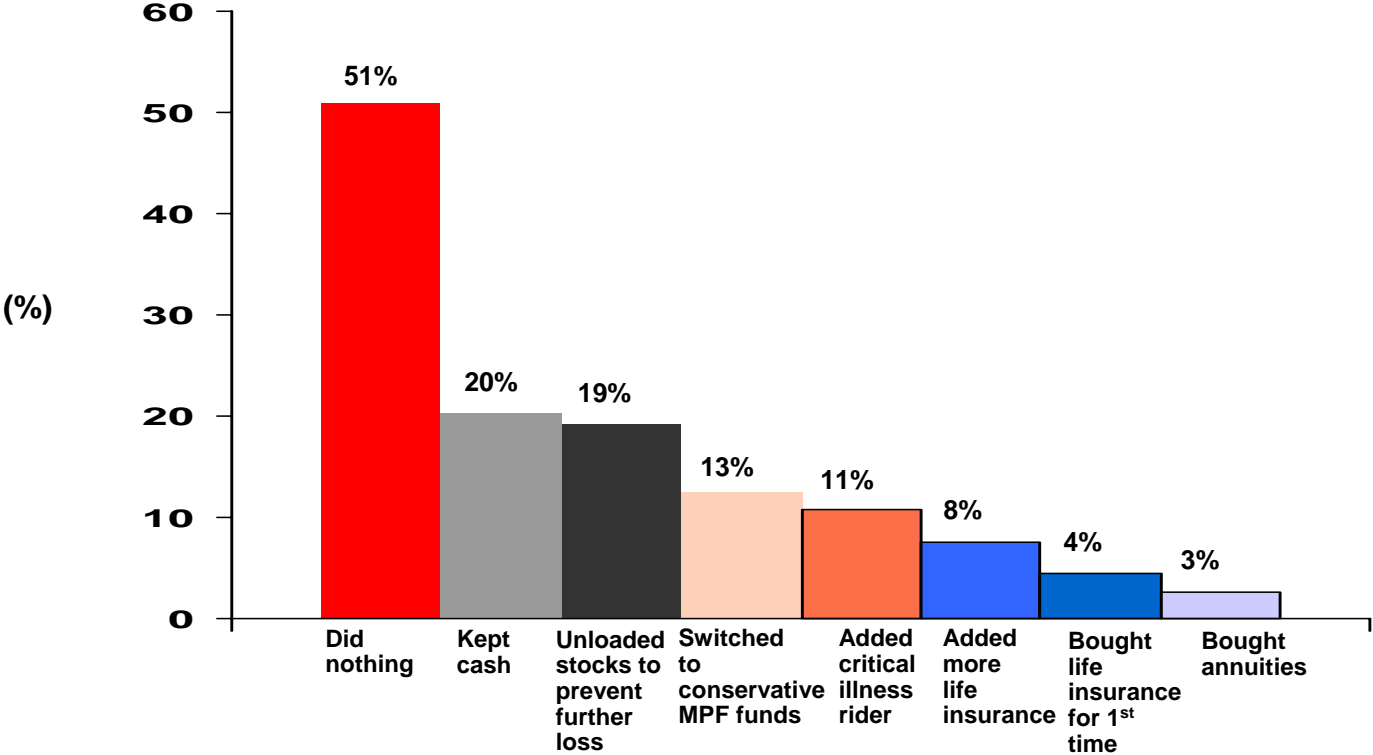
People going back to basics – buying insurance, saving more



- Shift to financial solutions that offer wealth protection and a safe haven
- Protection a short-term solution in the current crisis, but also a key element of a long-term savings strategy
- Life and medical insurance – protection for unforeseen events

Note: Multiple responses allowed for this question

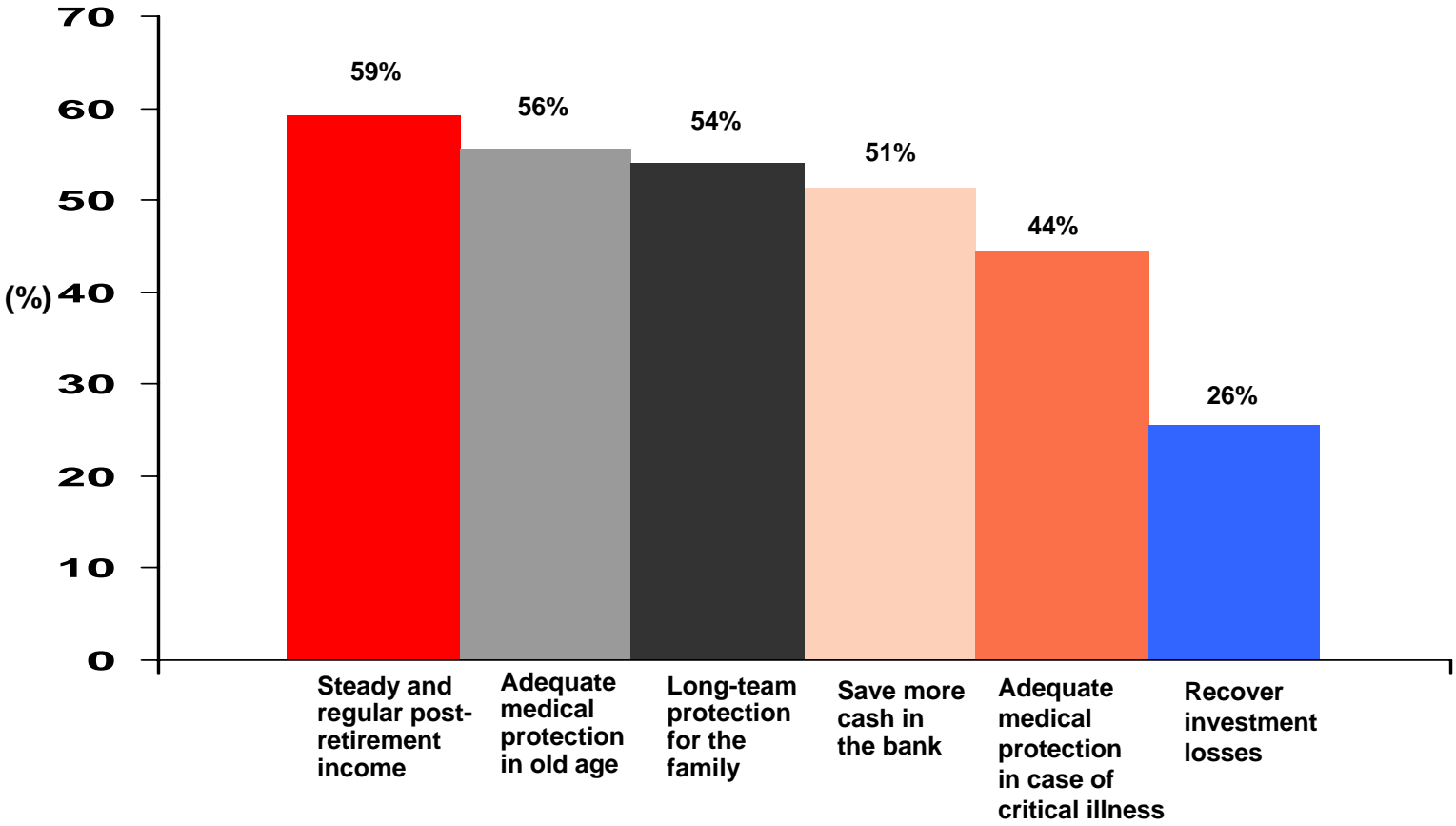
Half of the respondents say their financial plans unchanged over the last 12 months



- Savings, MPF and insurance are key elements of people’s long-term financial plans
- Many have not reviewed their plans or sought guidance from a financial planner, despite crisis
- Those who made changes moved to conservative investment strategies to protect assets

Note: Multiple responses allowed for this question

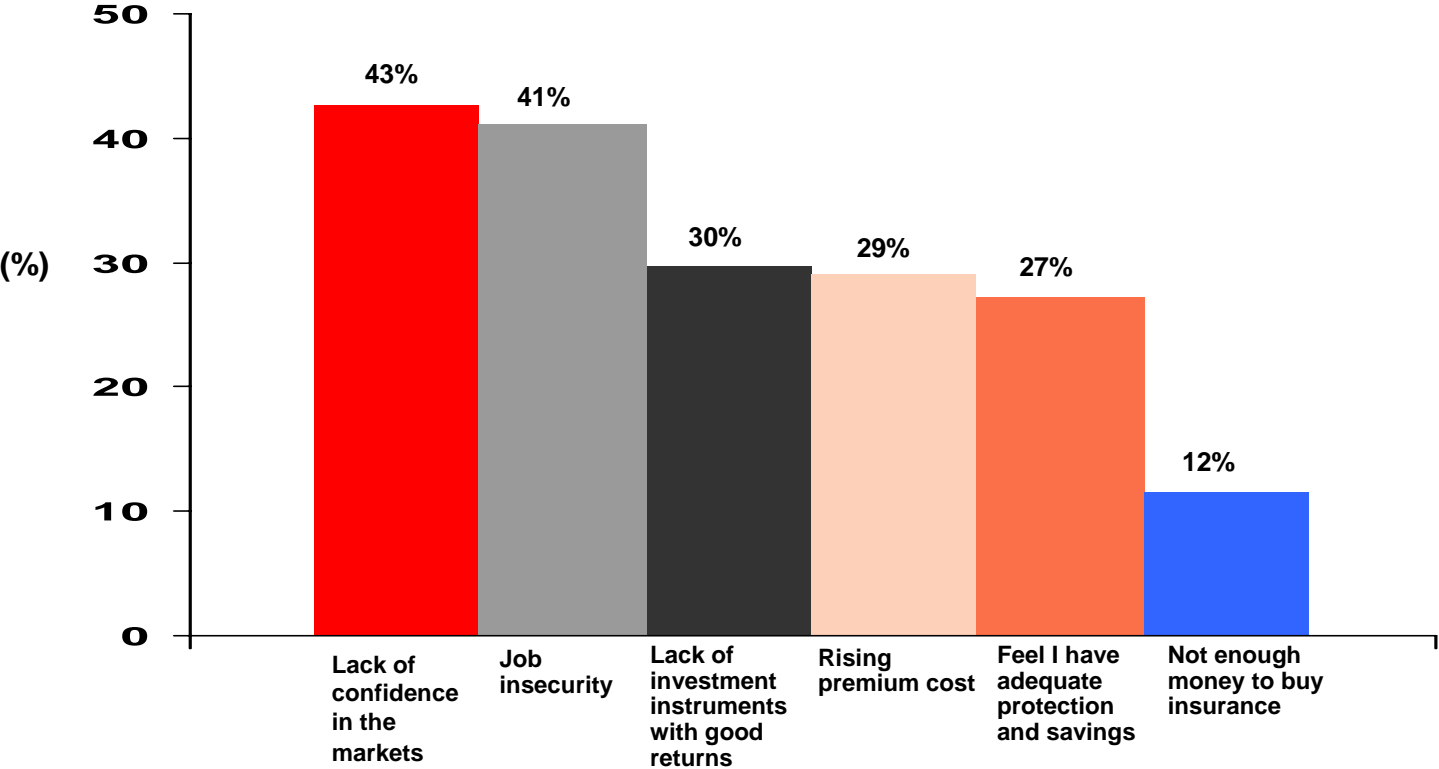
In terms of long-term financial goals, people aim for steady and regular retirement income



- Long-term aspirations have not changed – need to prepare for retirement, cover medical bills in old age and secure family’s future

Note: multiple responses allowed for this question

Lack of confidence in the markets is the greatest barrier to the long-term financial planning



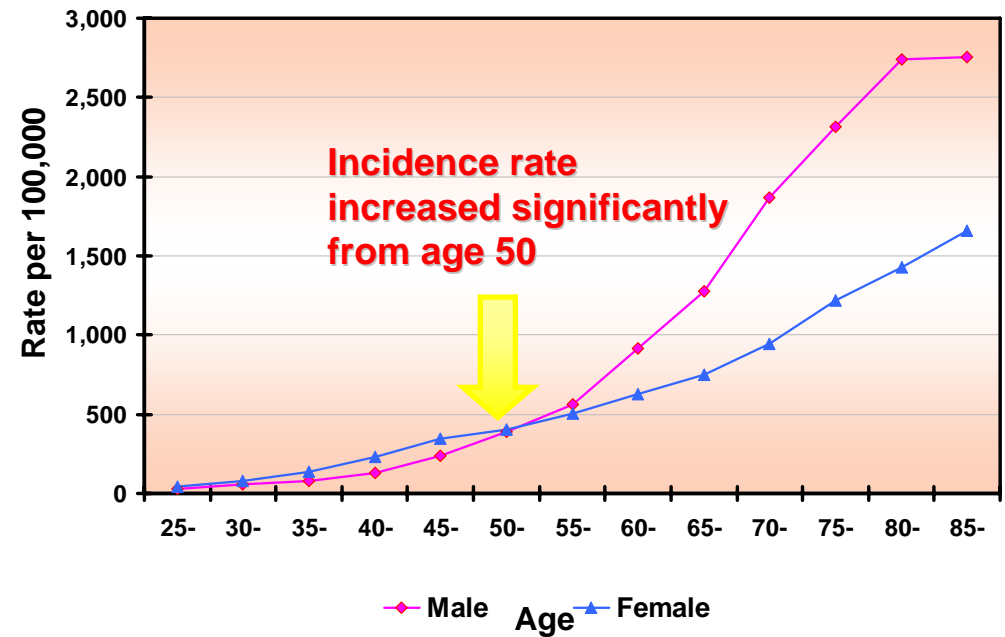
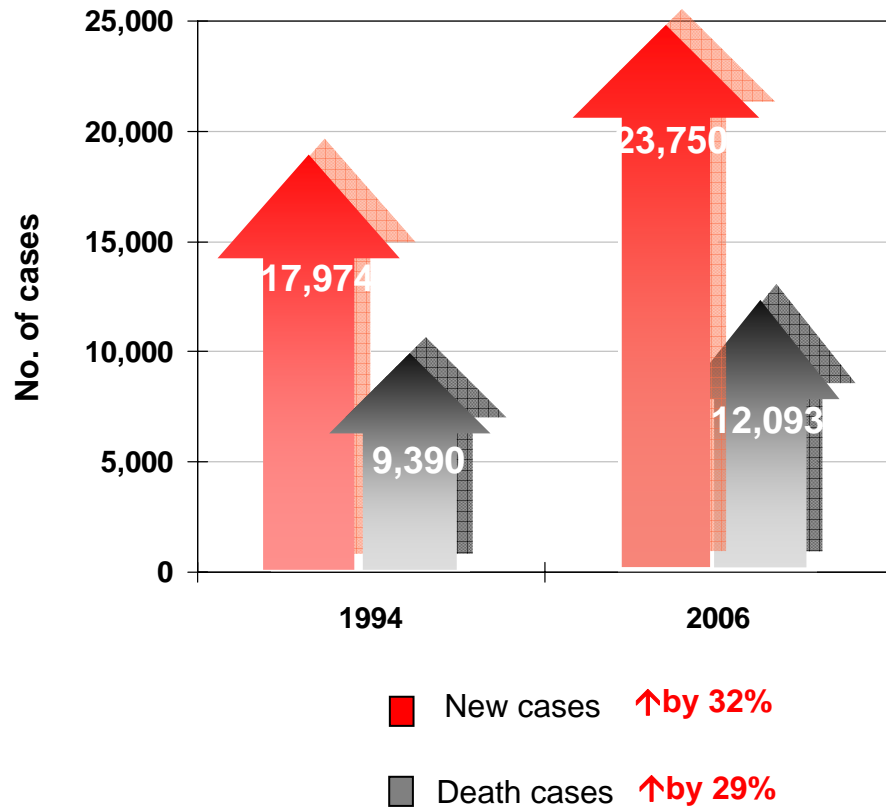
- Negative sentiment and uncertainty are preventing people from planning for long-term financial security
- Short-term worries are distracting people from planning properly for financial security in the long term

Note: Multiple responses allowed for this question

Reality check – the longer we live, the higher the risk of getting cancer, especially after age 50

Cancer has emerged as a major health problem in HK

Age-specific incidence rate for cancer in 2006



Source: Hong Kong Cancer Registry, Hospital Authority 2006

Reality check – costs of cancer treatment in Hong Kong can run up to at least HK\$500,000

Expenses for critical illness in real cases

Diagnosis	Treatment start date	End date	Duration	Expenses
Lung Cancer	Oct-07	Jan-09	16 Months	HK\$ 1,741,254
Stomach Cancer	Jun-07	Till now	20 Months	HK\$ 3,437,213
Liver Cancer	Jul-08	Till now	7 Months	HK\$ 537,444
Hepatocellular Carcinoma (a kind of common liver cancer)	Mar-07	Till now	23 Months	HK\$ 1,301,000

Source: Quality HealthCare 2009

5 most common cancers in HK, 2006

Rank	Site
1	Lung
2	Colorectum
3	Breast
4	Liver
5	Prostate

Source: Hong Kong Cancer Registry, Hospital Authority 2008



Medical expenses

Major surgery: HK\$400,000

Doctor's fee: HK\$1,000 per visit

Drugs/health supplement: HK\$2,000/month

Laboratory/chemotherapy/radiotherapy:

HK\$5,000 /visit

Estimated Cost:

Minimum of HK\$500,000

Maximum: ?

Summary of key findings

- People facing increasing financial risk – people's worst case scenarios (cancer/job loss/investment loss) have become real and urgent concerns
- People responding to risk by shifting back to basics – insurance protection and cash
- Financial planning paralysis hitting Hong Kong people – half are not making changes to their plans, and those who do are very cautious
- Long-term aspirations still focused on retirement, medical coverage and family protection
- But economic uncertainty and negative sentiment are greatest barriers to planning for the future

Planning for the future: bridging the gaps

Bruno Lee, Head of Liabilities Business and Wealth Management for
Personal Financial Services in Hong Kong
The Hongkong and Shanghai Banking Corporation

Financial planning made easy and simple

- **WealthMaster facilitates regular financial planning**
 - HSBC's proprietary end-to-end needs analysis and financial planning tool
 - From goal setting to product selection
 - Over 65,000 sessions logged in 2H08, up 33% from 1H08
- **Express Goals simplifies needs analysis**
 - Feature within WealthMaster to set up financial goals and identify financial gaps in 5-10 minutes
- **Automated application systems developed in 2008**
 - Shift to Straight Through Processing (STP) from paper application and manual underwriting
 - Instant application approval – as high as 87% approval rate for selected products

Goal setting in 5-10 minutes

- Express Goals – identify the customer needs and tailor a plan appropriate to individual goals, life stage and financial status
- Financial goals for retirement, education and protection identified in 5-10 minutes



The screenshot shows the HSBC Express Goal setting interface. At the top, there is a navigation bar with the HSBC logo, a search bar containing "No record", a status indicator "Hot specified", and a dropdown menu for "Open an Account". The user is logged in as "adf adf" and the language is set to "中文". The main navigation menu includes "Home", "Goals", "Express Goal", "Market Insight", "Next Steps", and "Product Search".

The main content area is titled "To better review your financial goals, may we know your...". It contains three input fields for financial data:

- Current Monthly Income:** Includes salary and other income, such as interest income, dividends etc. Value: HKD 40,000.
- Current Monthly Expenses:** Includes personal and family expenses, rental or mortgage payments etc. Value: HKD 30,000.
- Expected Inflation Rate:** This inflation rate will be applied universally to all financial goals. Value: 3.00 % p.a.

Below the input fields, there are three images representing different financial planning goals:

- Retirement Planning:** Image of an elderly couple.
- Education Planning:** Image of a student in a graduation cap.
- Protection Planning:** Image of a family.

A one-stop exercise to understand one's financial status

- After financial goal setting, 10 basic questions will help illustrate customer's financial status
- All data saved automatically and can be accessed during the next financial planning session

Home Portfolio Goals **Express Goals** Market Insight Next Steps Product Search

Calculation Evaluation Application

Retirement Planning | Education Planning | **Protection Planning**

Current Income (HKD)	Current Expenses (HKD)	Expected Inflation (%)	Affordability (% of disposable income)
<input type="text" value="50,000"/>	<input type="text" value="40,000"/>	<input type="text" value="3.00"/>	<input type="text" value="0%"/>

Number of your dependent(s)

Monthly family income provision HKD

Number of years for which funds would be needed years

Funds for your dependent's education goal HKD

Funds for your dependent's other goals HKD

Total current assets HKD

Total liabilities outstanding HKD

Total life insurance coverage(Personal & Group) HKD

Expected return rate % p.a.

Note:
• Unless otherwise specified, all input data will be in today's value.

A snapshot of customers' financial needs

- Express Goals can instantly calculate the financial needs for customer's goal, with charts illustrating any shortfall:

Home
Portfolio
Goals
Express Goals
Market Insight
Next Steps
Product Search

Calculation
Evaluation
Application

Retirement Planning
Education Planning
Protection Planning

Protection Shortfall

■ Current Assets & Life Insurance Coverage
 ■ Protection Shortfall

Current Income (HKD)	Current Expenses (HKD)	Expected Inflation (%)	Affordability (% of disposable income)
50,000	40,000	3.00	0%
Number of your dependent(s) <input style="width: 50px;" type="text" value="2"/>			
Monthly family income provision <input style="width: 50px;" type="text" value="15,000"/>		HKD	
Number of years for which funds would be needed <input style="width: 50px;" type="text" value="10"/> years			
Funds for your dependent's education goal <input style="width: 50px;" type="text" value="100,000"/>		HKD	
Funds for your dependent's other goals <input style="width: 50px;" type="text" value="0"/>		HKD	
Total current assets <input style="width: 50px;" type="text" value="1,000,000"/>		HKD	
Total liabilities outstanding <input style="width: 50px;" type="text" value="1,500,000"/>		HKD	
Total life insurance coverage(Personal & Group) <input style="width: 50px;" type="text" value="1,000,000"/>		HKD	
Expected return rate <input style="width: 50px;" type="text" value="5.00"/>		% p.a.	


Note: Unless otherwise specified, all input data will be in today's value.

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Comprehensive financial planning report

- After the analysis, a summary report will be available for the customer's reference
 - Analysis of financial gaps and suggested product solutions



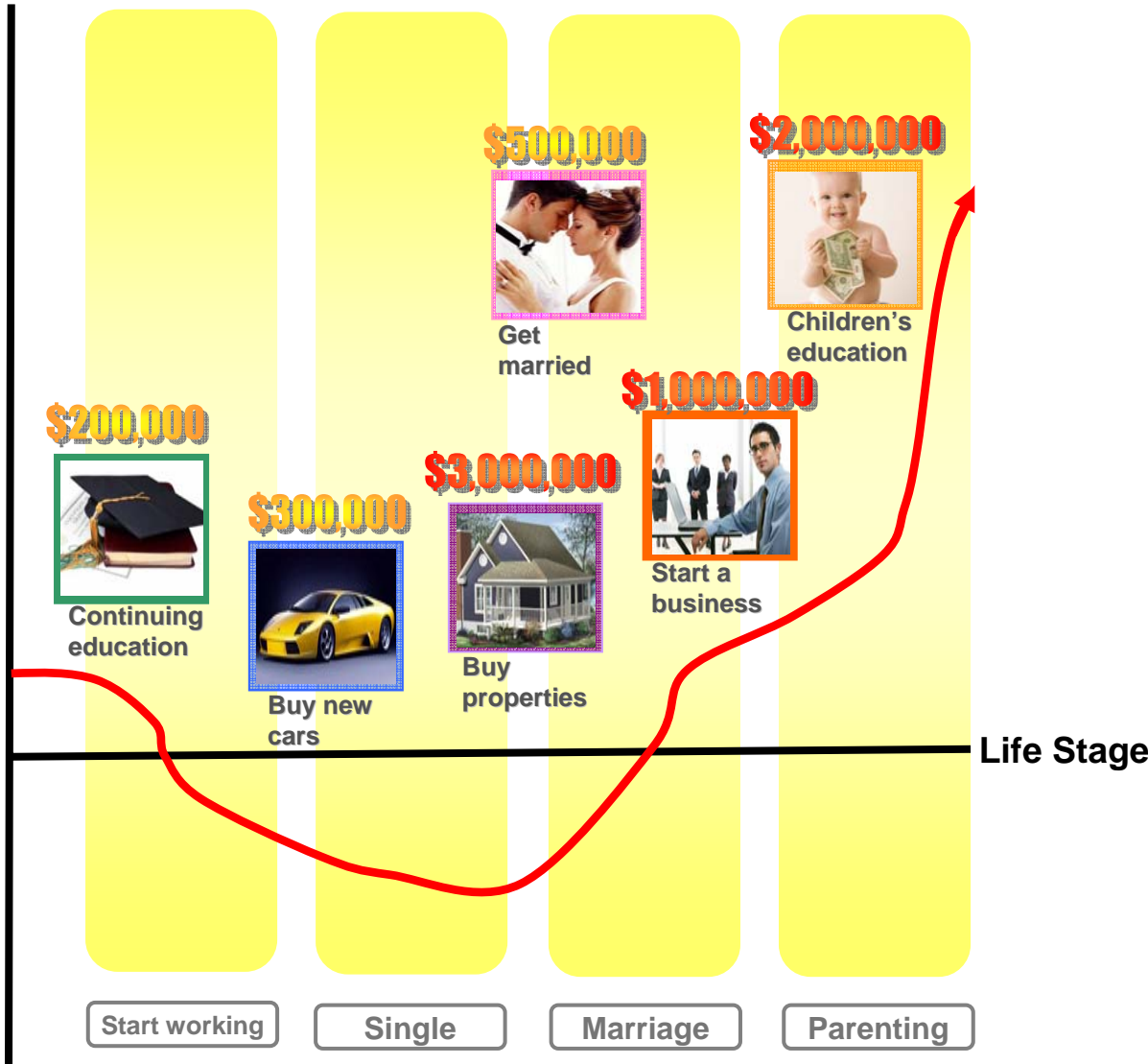
Personal Information			
Name of Customer *Mr/Mrs/Miss/Ms		Date of Birth (day/month/year)	* HKID No. / Passport No./ Others
adf adf		03/11/2008	Alternate ID
Nationality	Marital Status	Occupation	Contact telephone
HONG KONG	<input type="checkbox"/> Single <input type="checkbox"/> Divorced <input checked="" type="checkbox"/> Married <input type="checkbox"/> Widowed	Architect	(Home) (Work) (Mobile)
Current permanent residential address			
Number of dependent(s)			
0			

Monthly Income and Expenses		Balance Sheet	
	Amount (HKD equivalent)		Amount (HKD equivalent)
Income[A]	HKD40,000	Assets[X]	HKD0
<small>personal & other types of income</small>		<small>Cash & deposits, investments, provident fund/MPF accumulation, non-liquid assets (e.g. investment property) excluding self-use property. Cash value of life insurance is NOT included.</small>	
Expenses[B]	HKD30,000	Liabilities[Y]	HKD0
<small>Personal and family expenses, rental expenses, mortgage payment etc.</small>		<small>Mortgage loans (both for self-use and investment properties) Other personal loans</small>	
Monthly Savings (Disposable Income)[A-B]	HKD10,000	Net Worth[X-Y]	HKD0

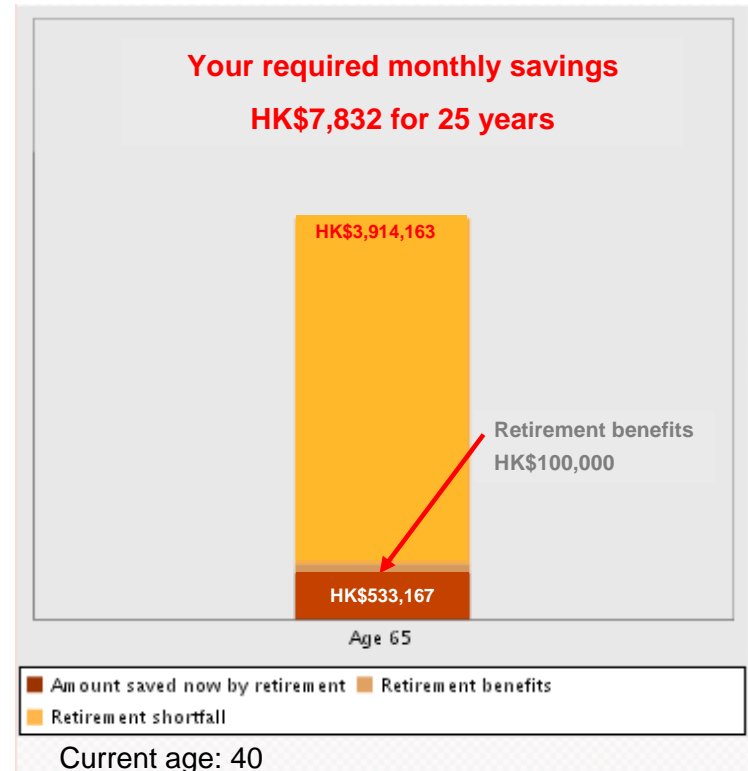
► Protection Planning	Rate Assumption	Inflation Rate %	Return Rate %	

How early planning can protect you

Net asset value



How much do I need? What can I do?



Current age: 40
 Desired retirement age: 65
 No. of post retirement years: 20
 Post retirement monthly income: HK\$0
 Post retirement monthly expenses: HK\$10,000
 Retirement benefits/pension/MPF: HK\$100,000
 Amount saved now: HK\$200,000
 Inflation rate: 3%
 Expected return rate: 4%

Retirement

Summary

- Changing perceptions of risk – concerns over health, job security, loss of wealth
- Coping with risk – people moving to simple products that offer protection and wealth preservation
- Planning for the future – financial goals remain long-term but short-term worries are distracting
- Finding solutions – insurance protects against the unexpected and uncontrollable and is a key element in long-term financial planning, which is now an easy, simple and convenient exercise with WealthMaster