



Life Insurance and Actuarial Professionals hold Joint Seminar to discuss Singaporeans' Protection Needs

Two studies show Singaporeans consider themselves risk averse with their finances, and yet they are assuming a lot of financial risk by being grossly underinsured

Singapore, August 20, 2009

As part of a seminar jointly organised by the Life Insurance Association (LIA) of Singapore and the Singapore Actuarial Society (SAS), the first such collaboration between the two associations, two studies have been presented, which show that Singaporeans think they are risk averse with their finances and yet they are grossly underinsured.

Attended by more than 115 professionals, the conference brought together a multi-national line up of actuaries and insurance experts to discuss how protection plans can be made more attractive to consumers in this current economic environment.

Singaporean Risk Attitudes

A survey presented at the conference by a leading global reinsurer, provided insights on the risk-taking attitudes of consumers and SME decision-makers aged between 20 and 40 (Gen X & Y) across 8 Asia Pacific markets. Understanding the risk attitudes of these 20-40 year olds may provide important insights into the impact of the financial crisis on current and future risk mitigation decisions, and provide us with a better grasp of the prospects for and path to recovery.

Under-40 consumers in Asia-Pacific are generally not prone to excessive risk-taking, according to the survey conducted by Swiss Re, which is a member company of the LIA. Consumers in developed markets tend to be more willing to take risks than their emerging market counterparts. Across the region, consumers are highly aware of the need to secure their financial future. But equally, many – especially in Japan, South Korea and Australia – say they do not have a plan to do this.

“Young Singaporeans (20-40 year olds) are relatively willing to take career risks, but they are very averse to taking risk in their finances,” says Paul Turner, Director of Client Markets at Swiss Re. “They would give up the security of working for an established employer to join a small company, if that meant better pay or faster growth prospects.”

Young Singaporean SME leaders (20-40 year olds) also have a high risk appetite. They are more willing to risk losing capital for profit and to expand into new business lines, act fast to seize opportunities and think of the current economic crisis as an opportunity for growth.

The survey uncovered a gap among Singapore respondents: 73% are aware of the need to secure their financial future vs 48% who actually have a plan to do so.

In light of the recent swine flu (H1N1) outbreak, a high proportion of Singaporean respondents (with 16% strongly agreeing) said they will review their insurance cover to see whether it is adequate.

Protection gap in Singapore remains wide according to NTU study

Despite most respondents to the survey indicating that they consider themselves risk averse regarding their finances, Singaporeans having inadequate insurance, and therefore take on considerable risk.

A 2007 update on an earlier independent study set out to determine which age groups among working adults in Singapore are more under-insured than others. Taking into account updates in areas such as income growth, expenses and inflation, as well as incorporating new data such as mortgage insurance and CPF savings as part of the existing assets, the update study analysed the protection needs by broad age groups in Singapore.

Life insurance protection refers to the lump sum required by dependants on the untimely death of the main breadwinner to settle outstanding debts and to maintain the current living standards of the household.

The update study was presented by Dr David Yee of the Nanyang Technological University of Singapore.

Findings of update study on protection

Undertaken by NTU under the supervision of Dr David Yee, the 2007 update report provides high-level snapshots of the relative underinsurance by age groups of working adults in Singapore.

The study found that:

- **Protection needs requirement amounts to \$494,850**, after taking into account wage and expense inflation.
- **Existing life insurance cover is \$165,630**, after factoring in mortgage insurance and CPF savings.
- **The overall underinsurance figure is \$329,220**, after factoring in CPF savings.
- Across the working population aged 20 to 64, **the aggregate underinsurance gap amounts to \$525 billion**.

In assessing insurance coverage of male working adults, the study revealed that insurance needs are highest in the 30–39 and 40–49 age groups. This is due to a combination of factors:

- Higher income, possibly leading to higher loans and mortgage, and more significantly, greater financial reliance from dependants.
- A greater number of dependants, including younger children who are not financially independent, and ageing parents who may not have sufficient retirement funds.
- A non-working spouse or a working spouse whose income is likely to be lower.

For female working adults, insurance needs peak at the start of their careers as their income is closer to that of their spouse.

The study also found that insurance ownership in absolute terms is highest in the 30 – 39 age group. However, the protection gap is the widest due to greater protection needs.

Mr Tan Hak Leh, Deputy President of the LIA said that the 2007 update report hits home the point yet again that working adults in Singapore need to take urgent heed of getting adequate coverage for their dependants in the event of their untimely demise.

“The average gauge for adequate cover is approximately 11 times one’s annual salary. This ensures that their dependants like spouse, children and non-working parents can settle debts and overheads to enable a similar standard of living in the event of untimely death of the main breadwinner.

While the amount of coverage may seem ominous at first, premiums for basic cover are relatively low and affordable. The life insurance industry has a range of solutions to suit different needs and budgets.”

In addition to the 2 surveys presented, the seminar covered a range of product development and consumer-focussed sessions, by Gavin Maistry of Munich Re, Lawrence Tsui of Swiss Re and Andre Hermes of Aviva. David Hughes and Sumit Narayanan from Ernst & Young spoke on the topical subject of aligning the consumer, sales and company interests. The conference finished with a CEO round-table discussion amongst insurers, which was an open forum for questions and debate. Low Kwok Mun, Executive Director (Insurance Supervision) from the MAS gave the keynote address.

Mr Frank McInerney, President of Singapore Actuarial Society said, “The seminar is timely as it addresses how risk management has evolved in this economic climate. We believe that this seminar will go a long way towards increasing the professional standards of our industry colleagues. Actuaries can contribute to product innovation and consumers’ understanding of insurance, in a way that can help bridge the protection gap in Singapore and put more families in a more secure position.”

-End-

About the Life Insurance Association, Singapore

The Life Insurance Association, Singapore is the not-for-profit trade body of life insurance product providers and life reinsurance providers based in Singapore and licensed by the Monetary Authority of Singapore. Its 19 members comprise 16 life insurers and three life reinsurers.

Member companies see it as their common vision *to provide individuals with peace of mind and to promote a society where every person is prepared for life's changing cycles and for those situations unforeseen.*

They are committed to being a progressive life insurance industry by collectively enhancing consumer understanding, promoting industry best practices, and through the association fostering a spirit of collaboration and mutual respect with government and business leaders.

Shared values underpinning the association and its members are:

Unified in our resolve to deliver innovative solutions where every individual's needs are best met.

Professional in the way we conduct ourselves and in the counsel we give.

Ethical in ensuring our policyholders' interests are managed with utmost integrity.

Fair in how we strive to provide favourable outcomes to both our policyholders and shareholders.

Open & honest in all that we do to build an environment of trust and transparency.

Proactive in the steps we take to give our people the skills and knowledge to provide sound solutions at all times.

About the Singapore Actuarial Society

The Singapore Actuarial Society is a not-for-profit professional body representing the actuarial profession in Singapore.

Its aims are to:

- Uphold the highest professional standards among member actuaries
- Promote the study, discussion, publication and research into the application of financial and statistical principles to practical problems in life insurance, general insurance, retirement savings, finance and investment in Singapore and the ASEAN region.

Actuaries are professionals who apply mathematical, statistical, economic and financial analyses, which involve risk assessment in long term financial contracts, in a wide range of practical business problems. They work mainly in insurance, investment, retirement incomes provision, government and regulation, as well as in wider business involving the environment, climate change, genetics and any business that assesses its risks financially.

For more information, please contact:

Ms Jill Hoffman

Honorary Secretary, Singapore Actuarial Society

Tel: 6318 0764

Email: secretary@actuaries.org.sg

Ms Pauline Lim

Executive Director, Life Insurance Association, Singapore

Tel: 6438 8900

Email: pauline.lim@lia.org.sg

Ms Annette King

Chair of Public Relations Committee, Singapore Actuarial Society

Tel: 9025 8978

Email: marknet@starhub.net.sg

Weber Shandwick

Ms Margaret Cunico | Ms May Yang

Weber Shandwick Worldwide

Tel: 6825 8007 | 6825 8073

Mobile: 9277 5456 | 9782 9054

Email: mcunico@webershandwick.com | myang@webershandwick.com