

Life Insurance Calculator

PROTECTION GAP

- The protection gap is a metric to estimate the lack of protection against the financial consequences of specific events:
 - death (the mortality protection gap), and
 - critical illness (the critical illness protection gap, assuming a five-year critical illness recovery period)
- Each protection gap is calculated as the difference between the protection needs (resources required) and the resources available, subject to a minimum of zero (i.e. negative protection gaps are not allowed).

Protection needs

Below is a brief description of each component of protection needs that is used in the calculator.

Funeral cost

- This is the cost of holding a funeral, including all after-funeral costs.
- For the mortality protection gap, funeral cost has been set as a lump sum of \$10,000.
- For the critical illness protection gap, funeral cost is not applicable and is set to zero.

Unpaid services

- This is the cost of the user's contribution to the household (e.g. carrying out household chores or accompanying dependants).
- For the mortality protection gap, the unpaid services per year is estimated to be \$9,360, which is approximately the amount of money required for a part-time helper for nine hours a week, every week of the year. Unpaid services are calculated based on the annual cost per year and the remaining lifetime of the spouse or the "other youngest dependant" if the user is not married.
- For the critical illness protection gap, the unpaid services per year is estimated to be \$12,480, which is approximately the amount of money required for a part-time helper for twelve hours a week, every week of the year. Unpaid services are calculated based on the annual cost per year and the remaining lifetime of the spouse or the "other youngest dependant" if user is not married, capped at five years (which is the critical illness recovery period assumed).
- For the mortality protection gap and the critical illness protection gap, the remaining lifetime of a person is assumed to be 88 years less the person's current age, subject to a minimum of two years remaining life expectancy.

Personal and mortgage loans

- This is the total outstanding personal and mortgage loans held.
- For the mortality protection gap, the total outstanding loan is calculated as the sum of the total outstanding personal loans and total outstanding mortgage loans.
- For the critical illness protection gap, a “critical illness (CI) factor adjustment” is applied on the outstanding personal loan amount and outstanding mortgage loan amount to take into account the duration of critical illness. This factor adjustment is calculated based on the assumed critical illness recovery period of five years and the remaining personal/mortgage loan tenure filled in.

Needs of the dependent children

- This relates to needs of dependent children, including school fees and other expenses such as tuition/enrichment classes, food, clothing and transport.
- For each dependent child, the needs per year are estimated to be \$14,000, which is approximately the amount of money required to provide for a child for one year. The protection needs of dependent children are calculated based on the annual cost assumed and the number of years till the child turns 20, subject to a minimum of two years for both the mortality and the critical illness protection gaps.
- Children with special needs are calculated on the same basis as “other dependants” as that component caters for more support amount over a longer period of time.

Needs of other dependants

- This relates to needs of other dependants who are dependent for financial support, including food, clothing and transport.
- For each “other dependant”, the needs per year are estimated to be \$20,000, which is approximately the amount of money required to support an “other dependant” for one year. The protection needs of “other dependants” are calculated based on the annual cost and the remaining lifetime of the “other dependant”. The remaining lifetime is assumed to be 88 years less the “other dependent’s” current age, subject to a minimum of seven years remaining life expectancy.

Needs of dependants: Rent

- This relates to the rental expense of the surviving dependants in a household.
- This is calculated based on the actual annual rent expense filled in and the remaining lifetime of the spouse or the “other youngest dependant” if the user is not married (capped at five years for the critical illness protection gap). The remaining lifetime of a person is assumed to be 88 years less the person’s current age, subject to a minimum of two years remaining life expectancy.

Needs of dependants: Household expenses

- This relates to the needs of the surviving dependants in a household, including food, clothing and transport for the spouse if the user is married (other dependants being captured separately) and other bills of the household e.g. electricity, internet.
- The household expenses are based on the estimated annual net household expenditure and the remaining lifetime of the spouse or the “other youngest dependant” if the user is not married (capped at five years for the critical illness protection gap). The estimated annual net household expenditure is derived based on the age band and income band filled in for the user. The remaining lifetime of a person is assumed to be 88 years less the person’s current age, subject to a minimum of two years remaining life expectancy.

Remaining spouse’s income

- This is to offset the protection needs upon death or onset of critical illness. This is only applicable for married individuals.
- This remaining spouse’s income is approximately calculated based on the estimated annual income of the spouse and the remaining number of years till retirement age of the spouse (retirement age assumed to be 65 years old and capped at five years for the critical illness protection gap).
- When the spouse’s income exceeds the total protection needs, the excess is excluded.

Other protection needs

- This is a manual adjustment that can be filled in by the user. It refers to protection needs not covered above that the user and/or his/her dependants need to consider in the event of death or critical illness.
- Other protection needs could include insurance premiums to be paid (e.g. for health, house, car policies) or specific upcoming needs for a dependant (e.g. education costs to study abroad for dependent children).

Resources available

Below is a brief description of each component of resources available that is used in the calculator.

CPF savings

- This is the total balance for all CPF accounts.
- CPF savings are not included for the critical illness protection gap as it is assumed that only the Medisave account is used to offset the immediate medical needs, and the remaining CPF account balance cannot be withdrawn for critical illness.

Other savings (i.e. non-CPF)

- Other savings represent the cash and bank savings available to offset the protection needs.
- Other savings are not included for critical illness protection gap as it is assumed that the patient will still require savings for retirement needs (e.g. to maintain a reasonable lifestyle in the later stages of life).

Insurance coverage

- This is the insurance coverage from insurance policies covering the user.
- For the mortality protection gap, the insurance coverage is the sum of individual insurance coverage on death and group insurance coverage on death.
- For the critical illness protection gap, the insurance coverage is the sum of individual insurance coverage on critical illness and group insurance coverage on critical illness.

Other resources available

- This is a manual adjustment that can be filled in by the user. It refers to resources not covered above that the user and/or his/her dependants can rely on in the event of death or critical illness.
- Other resources available could include any other assets that the user is willing to use to offset upcoming protection needs e.g. property, investments, or others.