

## Life Insurance Simplified 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, based on critical illness recovery period from user input)
- 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 the approach for the protection need calculation that is used in the calculator.

#### *Approach for simplified calculator*

- To simplify the calculation approach, the protection need is estimated using:
  - The proportion of annual income to cover for dependent(s) in event of death or CI, multiplied by
  - The projection years.

#### *Calculation methodology*

- Protection Needs (Mortality) = Annual Income of user x Proportion of annual income to cover user's dependent(s) in the event of death x (expected retirement age – user's age)
- Protection Needs (CI) = Annual Income of user x Proportion of annual income to cover user and user's dependent(s) in the event of CI x expected CI recovery period

### 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the Medisave account is used to offset the immediate medical needs, and the remaining CPF account balance cannot be withdrawn for critical illness.

#### *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.

Non-CPF savings (i.e. Cash, deposits, Shares, bonds, property and any overseas investments)

- 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 dependents can rely on in the event of death or critical illness.
- Non-CPF savings represent other asset/savings like Cash, deposits, Shares, bonds, property and any overseas investments that the user is willing to offset upcoming protection needs.