

Agility

BRIDGING THE PROTECTION GAP IN SINGAPORE



**Life Insurance Association
Singapore**

LIFE IS WORTH PROTECTING. INVEST IN IT.

Date: April 26, 2018



OBJECTIVES OF STUDY: ADDRESSING THE PROTECTION NEEDS OF SINGAPORE

- To identify the protection gap and needs of Singaporeans and how they can be protected in light of their evolving protection needs
- To evaluate how the protection gap and needs of Singaporeans have changed since PGS 2012
- To educate and increase awareness on the significance of CI coverage in addition to mortality coverage

NOTE TO EDITOR

The findings of the Protection Gap Study (PGS) 2017 was derived based on a prudent approach that adopts a practical assumption consistent with the PGS 2012.

The protection need and value of each Economically Active* (EA) adult was derived taking into consideration:

- Their personal loan amount approximation and;
- The total loan value of a household, instead of their individual share of the outstanding loan amount

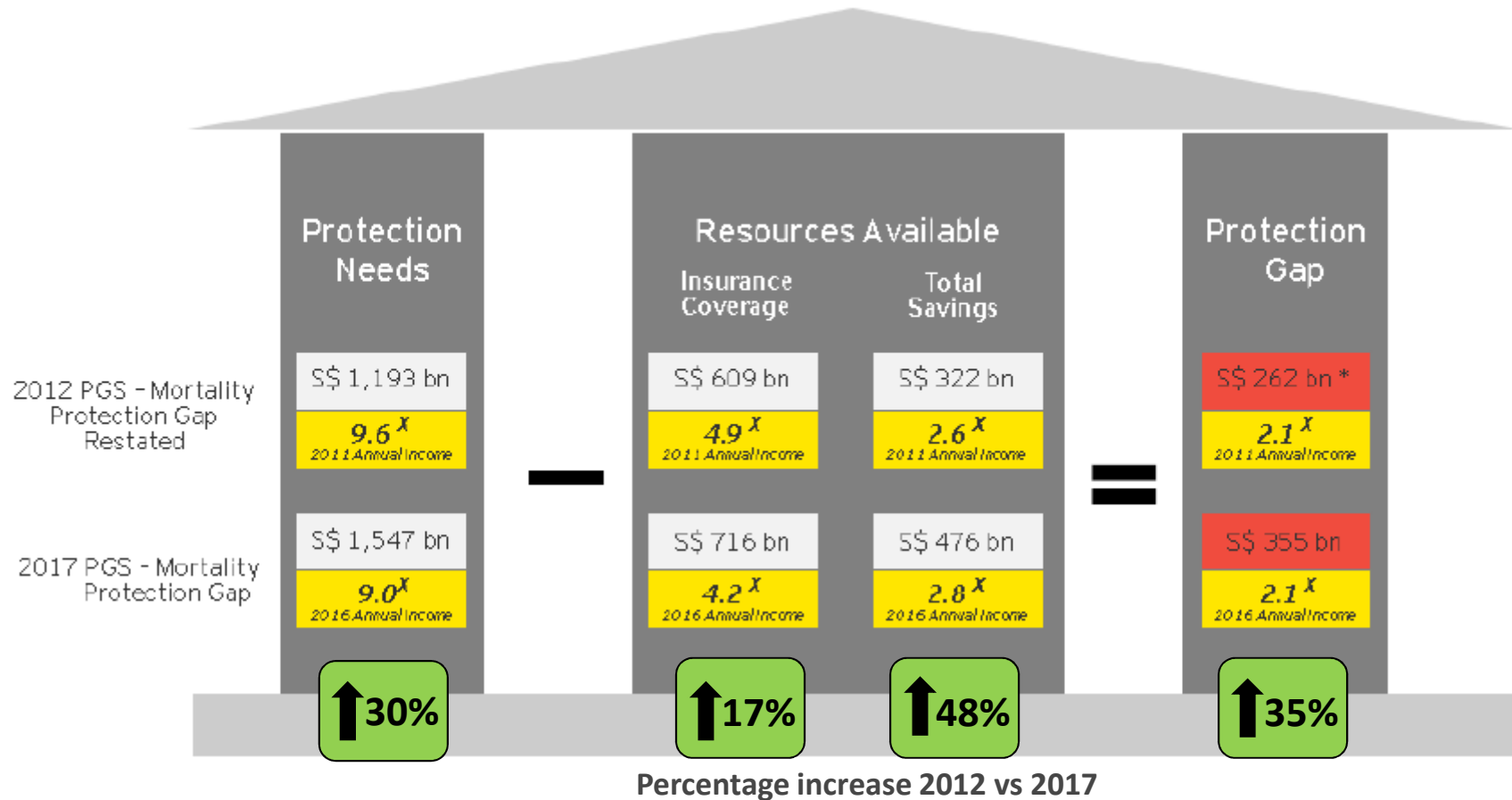
This approach ensures that an EA adult is not over-burdened with the outstanding mortgage in the event of the demise of their EA spouse.

Please be advised of key limitations arising from the assumptions and data sources used in the calculation of the mortality and CI protection gaps as these results reflect the average across Singapore, whereas each individual's circumstances will be different and specific to the individual.

***EA = Economically Active; as individuals employed and contributing to the production and distribution of goods and services, between the ages of 20 to 69 with at least one dependent**



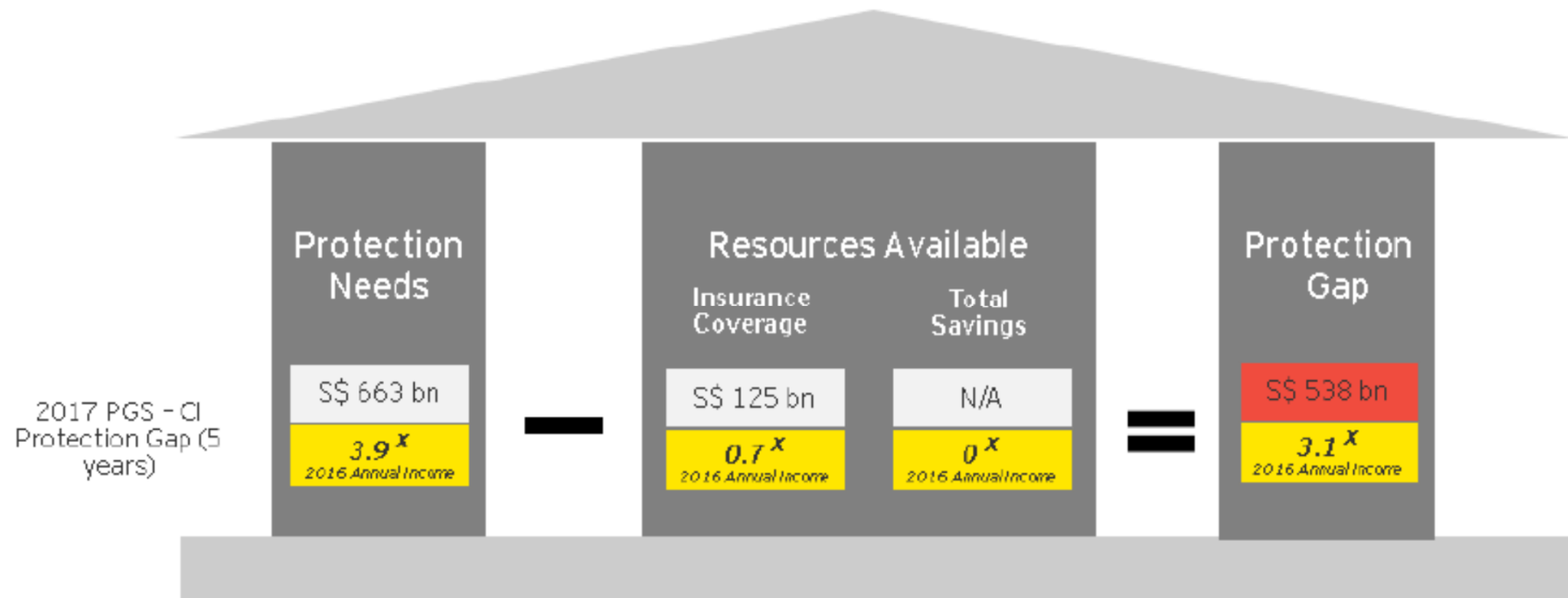
SINGAPORE'S MORTALITY PROTECTION GAP: 2012 VS 2017



**The 2012 Mortality Protection Gap has been restated to allow for other savings (cash and deposits) as part of the resources available which is a component newly added in the 2017 Protection Gap Study. Excluding other savings, the total Mortality Protection Gap in the 2012 Protection Gap Study was S\$462 bn.*



INAUGURAL CI PROTECTION GAP ANALYSIS IN 2017





SINGAPORE'S **OVERALL** PROTECTION NEEDS AND GAP IN **2017**

	<i>Protection needs</i>		<i>Resources available</i>		<i>Protection gap</i>
<i>Mortality Protection</i>	S\$ 1,547BN (100%)	-	S\$ 1,192BN (80%)	=	S\$ 355BN (20%)
<i>CI Protection</i>	S\$ 663BN (100%)	-	S\$ 125BN (20%)	=	S\$ 538BN (80%)

BASED ON AVERAGE ANNUAL INCOME PER EA ADULT OF \$81,663



AVERAGE GAP AND NEEDS OF AN **ECONOMICALLY ACTIVE** ADULT IN SINGAPORE

	<i>Protection needs</i>		<i>Resources available</i>			<i>Protection gap</i>
			<i>Insurance coverage</i>	<i>Total savings</i>		
<i>Mortality Protection</i>	S\$ 739K (100%)	-	(S\$ 342K	+ S\$ 227K) (80%)	=	S\$ 170K (20%)
<i>CI Protection</i>	S\$ 316K (100%)	-	(S\$ 60K	+ N/A) (20%)	=	S\$ 256K (80%)

BASED ON AVERAGE ANNUAL INCOME PER EA ADULT OF \$81,663



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HOW MUCH COVERAGE DOES AN AVERAGE POLICYHOLDER HAVE?*

2.65

AVG. NO. OF POLICIES WITH MORTALITY
COVERAGE PER POLICYHOLDER

S\$290,086

AVG. MORTALITY COVERAGE
PER POLICYHOLDER

< 1

AVG. NO. OF STANDALONE CI
POLICIES PER POLICYHOLDER

S\$128,861

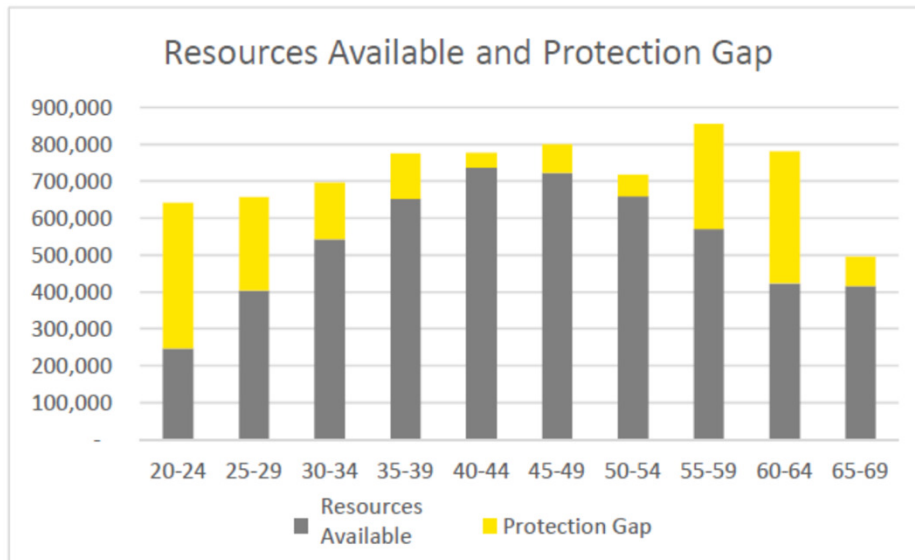
AVG. CI COVERAGE
PER POLICYHOLDER

CI coverage is commonly provided through a life insurance policy rider to protect the insured against financial loss in the event of a terminal illness. The uptake of riders can be attributed to the fact that riders generally cost lesser than full-sized plans and provide policyholders more comprehensive coverage at more affordable premiums.

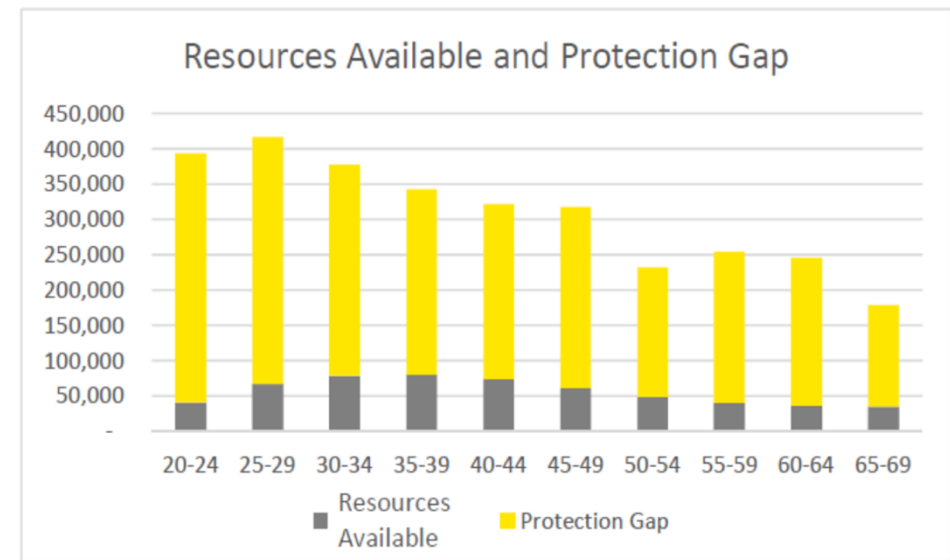
***Regardless of Economic Status**



PROTECTION GAPS VS AVAILABLE RESOURCES ACROSS DEMOGRAPHICS



Mortality Protection Gap



CI Protection Gap



MORTALITY PROTECTION GAP

The mortality protection gap represents the financial gap to cover needs of dependents over a defined period in the event of death.

RULE OF THUMB

Approximately

9x - 10x annual income

**Avg. mortality protection coverage
amount required for an economically
active adult in Singapore**

SINGAPORE'S MORTALITY PROTECTION GAP OF 20% REMAINED RELATIVELY UNCHANGED BETWEEN 2012 AND 2017 DESPITE HIGHER UPTAKE OF PROTECTION PRODUCTS

MORTALITY PROTECTION GAP		MORTALITY PROTECTION NEEDS	
	AVG. PER EA ADULT		AVG. PER EA ADULT
2017 S\$355BN (20%)	2017 S\$169,673	2017 S\$1,547BN (100%)*	2017 S\$738,783
2012 S\$262BN (20%)^	2012 S\$137,520	2012 S\$1,193BN (100%)	2012 S\$654,870

EA = Economically Active; as individuals employed and contributing to the production and distribution of goods and services.

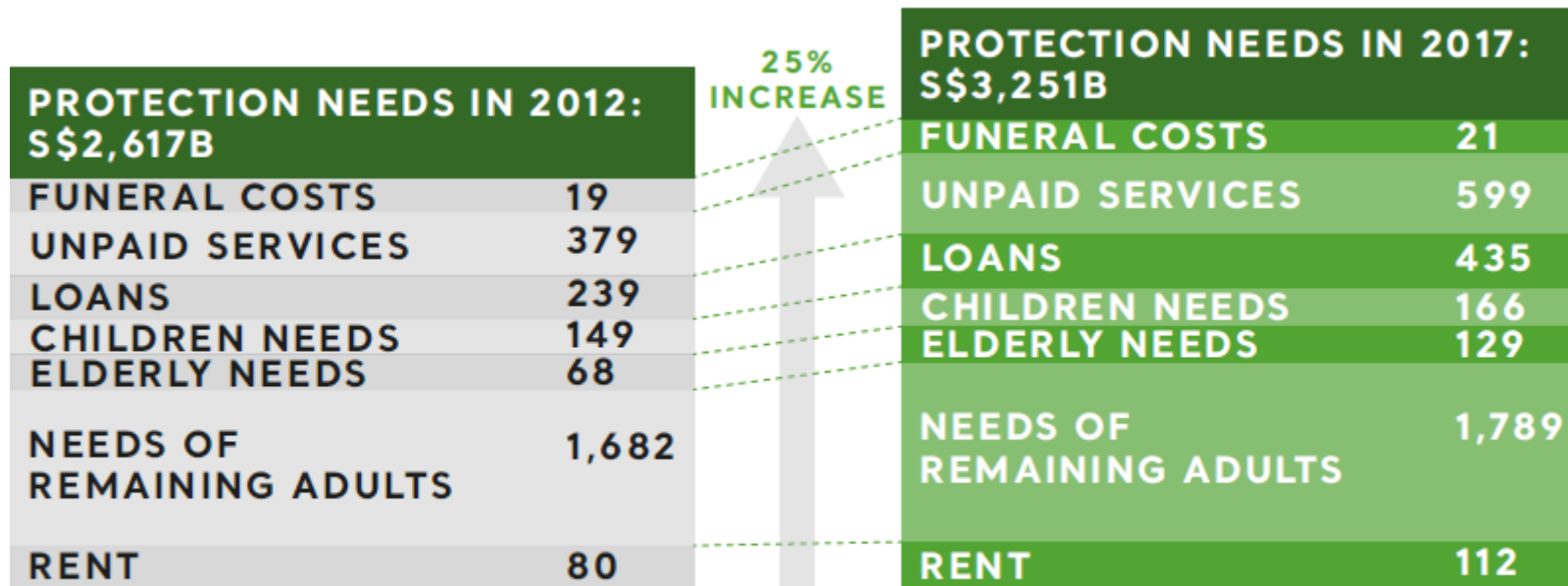
OVERALL INCREASE OF 35% IN PROTECTION GAP BETWEEN 2012 & 2017**

*After deduction of spousal income

** Based on absolute terms



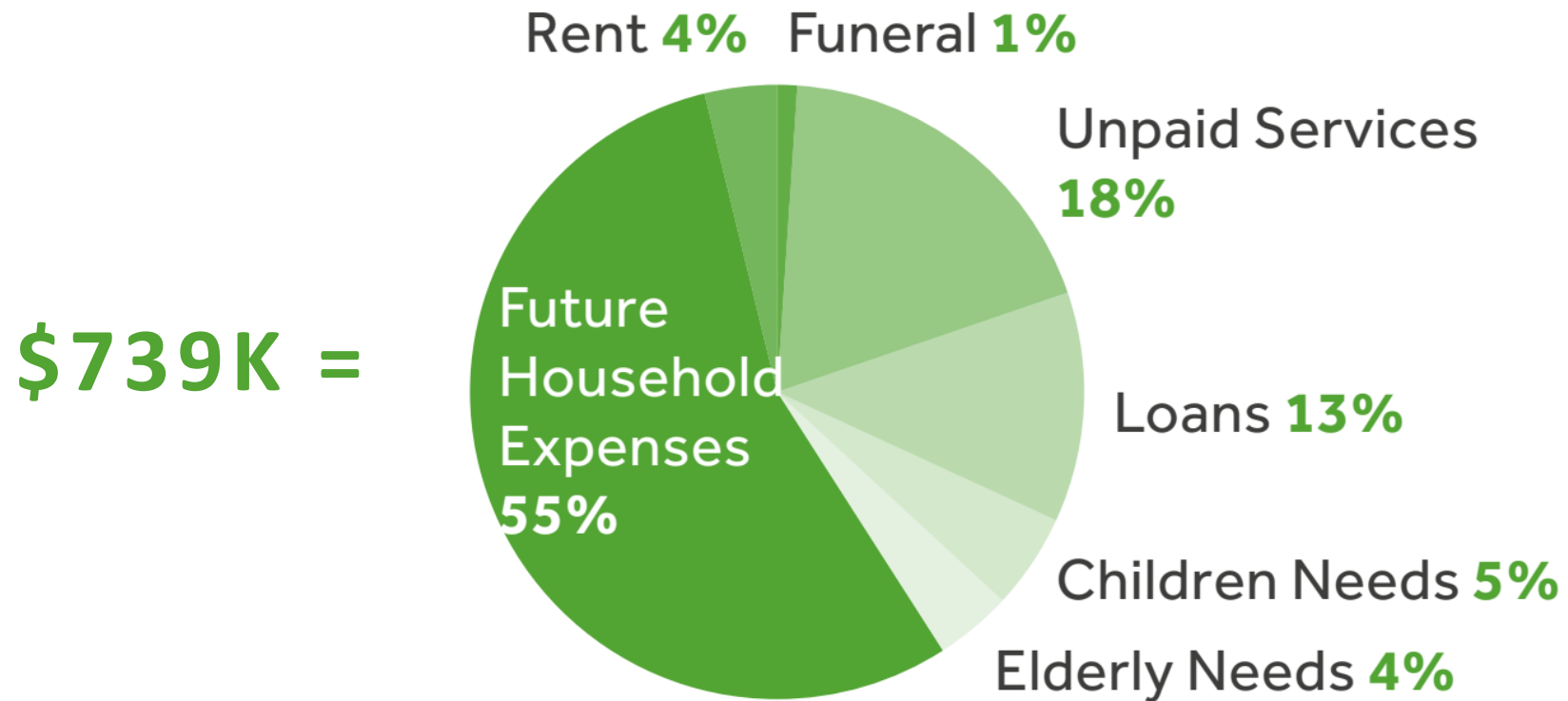
PROTECTION NEEDS HAVE INCREASED BY **25%**; MORE THAN RESOURCES ALLOCATED TO MEET LIFESTYLE REQUIREMENTS AND NEEDS



Note: The increase of the protection needs is partially offset by the increase of the spouse's income due to an increase in the wages and higher proportion of working spouses.



FUTURE HOUSEHOLD EXPENSES ACCOUNT FOR **LARGEST PROPORTION OF
MORTALITY COVERAGE NEEDED FOR AN ECONOMICALLY ACTIVE ADULT IN
SINGAPORE**





CRITICAL ILLNESS (CI) PROTECTION GAP

INAUGURAL
STUDY

The CI protection gap represents the financial gap to cover family needs during the assumed CI recovery period of five years, until the insured is able to return to work, or to adjust his or her lifestyle needs.

RULE OF THUMB

Approximately

3.9x annual income

Avg. **CI protection coverage** amount
required for an economically active
adult in Singapore



MORE NEEDS TO BE DONE TO ADDRESS THE **80% CI PROTECTION GAP** OF SINGAPOREANS TODAY

CI PROTECTION GAP		CI PROTECTION NEEDS	
	AVG. PER EA ADULT		AVG. PER EA ADULT
2017	2017	2017	2017
S\$538BN (80%)	S\$256,826	S\$663BN (100%)	S\$316,603



RECENT TRENDS HIGHLIGHT IMPORTANCE OF ADEQUATE CI PROTECTION



**MORE PEOPLE ARE
LIVING LONGER BUT
IN POORER HEALTH¹**



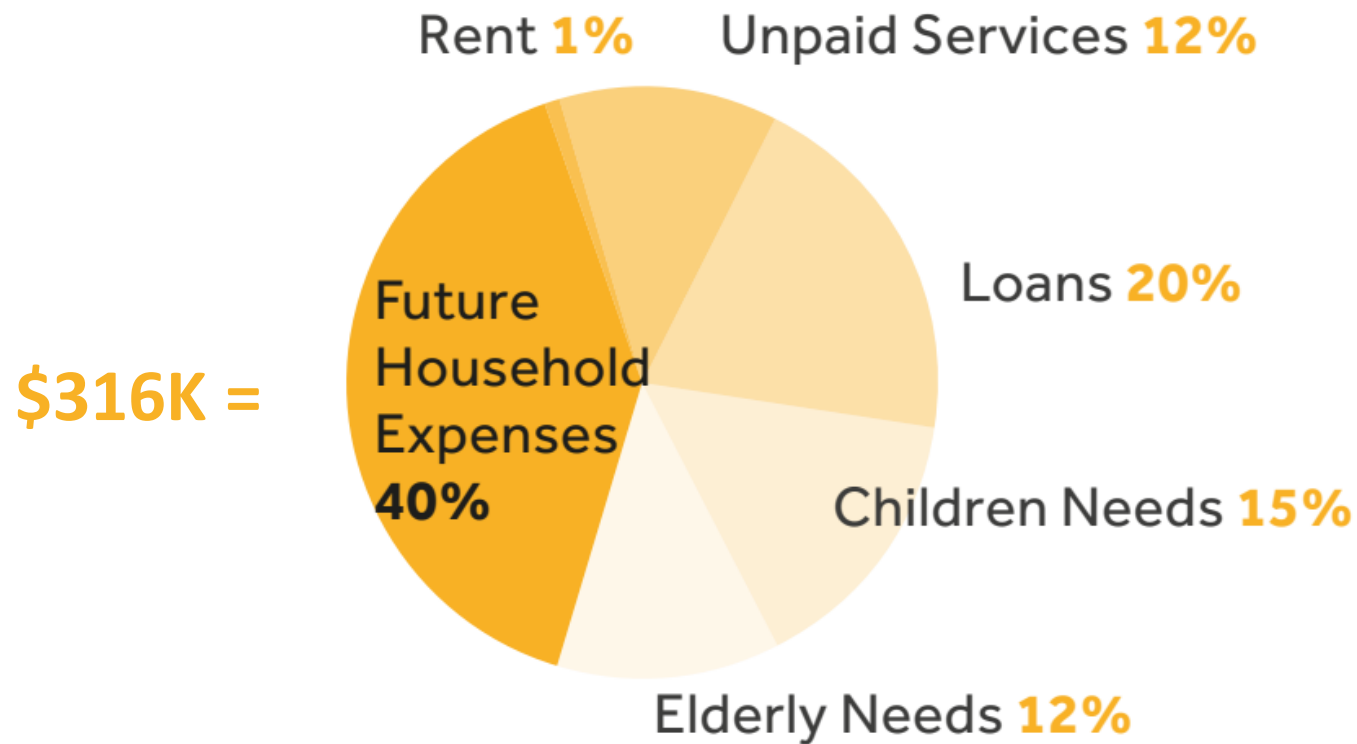
**SURVIVAL RATES
AFTER CI IS ALSO
LONGER DUE TO
MEDICAL
ADVANCEMENTS²**



**HAVING CI PROTECTION
WILL HELP CUSHION
THE FINANCIAL IMPACT,
ESPECIALLY FROM A
SUDDEN INCOME LOSS**



FUTURE HOUSEHOLD EXPENSES ACCOUNT FOR **LARGEST PROPORTION OF CI
COVERAGE NEEDED FOR ECONOMICALLY ACTIVE ADULTS IN SINGAPORE**





NEXT STEPS AND ACTION PLAN



QUALITATIVE STUDY

Provide insights for the development of targeted initiatives to more effectively help individuals bridge their own protection gaps

KNOWLEDGE GAP

PERCEPTION GAP

OPPORTUNITIES
& BARRIERS



ENHANCED EDUCATION EFFORTS THROUGH DIRECT ENGAGEMENT ONLINE

Continue driving awareness through educational initiatives



INTRODUCE STANDARD INDUSTRY-WIDE DIGITAL CALCULATOR

Introduce Singaporeans to take charge of their health and protection needs



REGULAR PROGRESS REVIEW

Study will be conducted on periodic basis with constant enhancements for e.g. leveraging data analytics



Helping Singaporeans bridge their protection gap to better protect their loved ones, future and quality of life



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Q&A

ABOUT THE PGS STUDY

The PGS 2017 study commissioned by LIA Singapore was conducted independently by Ernst & Young Advisory, based on public data analysis of economically active individuals in Singapore between the ages of 20 to 69 who have at least one dependent.

Key changes from the previous study include calculation of the Critical Illness (CI) gap, in addition to the mortality gap and the allowance for other savings in addition to CPF savings.

Note to editor: The full report is available at www.lia.org.sg