



# 2022 Protection Gap Study Key Findings

Life Insurance Association Singapore (LIA)

8 September 2023



# Objective of the Study: Addressing The Protection Needs of Singapore

## Objectives of 2022 PGS

To identify the protection gap and needs of Economically Active (“EA”) Singaporeans & Permanent Residents (“PRs”), and how they can be protected in light of their evolving protection needs

To evaluate how the protection gap and needs of Singaporeans & PRs have changed since the 2017 PGS

To educate and increase awareness of the significance of mortality and CI coverage

To further identify the protection gap and needs of Platform Workers\*, and understand how they differ from the overall population

*\*For the purpose of this study, ‘Platform Workers’ include ‘Private-hire Workers’, ‘Taxi Drivers’ and ‘Delivery Workers’.*



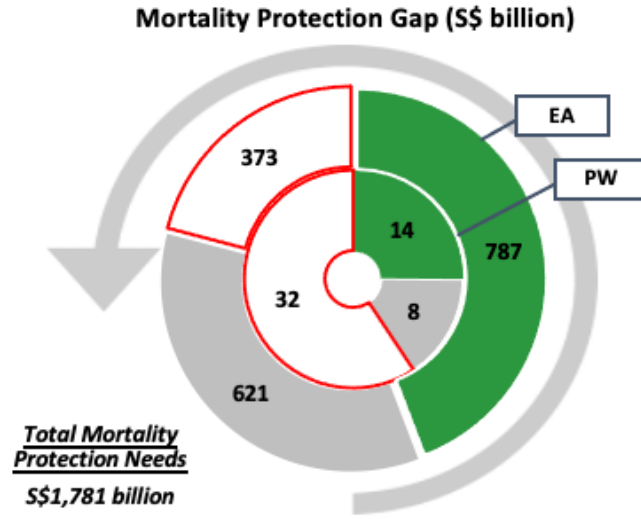


# Summary of 2022 PGS Results



# Protection Gap Overview for EA & PW

EA Count	PW Count
2,187,833	68,568 (~3% of EA population)

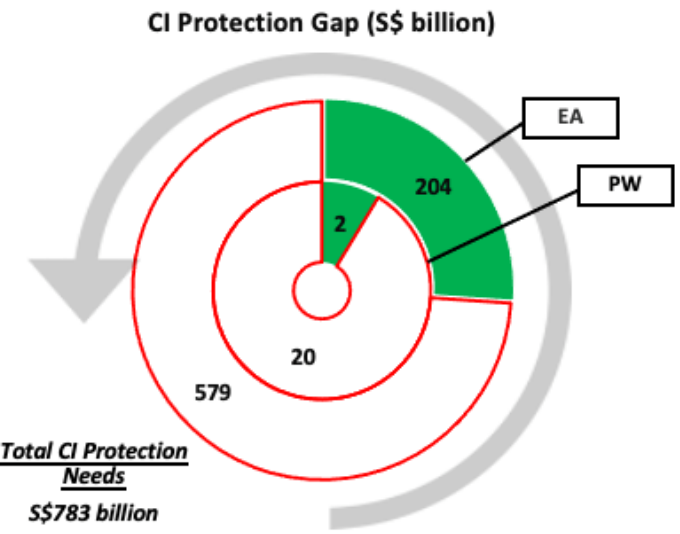


**Total Mortality Protection Needs**  
\$1,781 billion

■ Insurance component ■ Savings component □ Protection Gap

Key Statistics	EA	PW
Total Mortality Protection Needs	\$1,781bn	\$55bn
Protection Gap	\$373bn	\$32bn
Protection Gap (% of Mortality Protection Needs)	21% of EA Mortality Protection Needs	59% of PW Mortality Prot. Need

Please note that other assets (such as shares, bonds, property and any overseas investment) were not included as resources to meet the Mortality Protection Gap within the Protection Gap Study, as the value of these investments are relatively volatile.



**Total CI Protection Needs**  
\$783 billion

■ Insurance component □ Protection Gap

Key Statistics	EA	PW
Total CI Protection Needs	\$783bn	\$22bn
Protection Gap	\$579bn	\$20bn
Protection Gap (% of Total CI Protection Needs)	74% of Total EA CI Protection Need	91% of PW CI Prot. Need

Please note that the Savings component (i.e. CPF savings and Other Savings) were not included as resources to meet the CI Protection Gap within the Protection Gap Study. It was assumed that MediSave can only be used to pay for immediate medical expenses and cannot be withdrawn. Other Savings are assumed to be kept for future lifestyle maintenance. Similar to Mortality Protection Gap, other assets (such as shares, bonds, property and any overseas investment) were also excluded.

EA = Economically Active; EI = Economically Inactive; PW = Platform Worker

# Key Protection Gap Message

## Comparison between 2017 PGS and 2022 PGS

2017 PGS	Protection Needs	Resources Available	Protection Gap		2022 PGS	Protection Needs	Resources Available	Protection Gap
EA Mortality	100%	77%	23%	➔	EA Mortality	100%	79%	21%
EA CI	100%	19%	81%		EA CI	100%	26%	74%
PW Mortality		Not available			PW Mortality	100%	41%	59%
PW CI		Not available			PW CI	100%	9%	91%

Green = Movements from 2017 PGS  
Red = New Assessment Added in 2022 PGS

### Commentaries

- The EA Mortality Protection Gap remains close to 20%, similar to protection gap levels from previous studies in 2017 and 2012.
- The EA CI Protection Gap has reduced from 81% to 74%
- PW Mortality and CI Protection Gap is higher than the average EA at 59% and 91% respectively.

*The figures in the table above are rounded to the nearest whole number percentage.*

*Resources available include the aggregate of available savings (i.e. CPF savings, other savings such as cash and deposits) and existing insurance coverage*

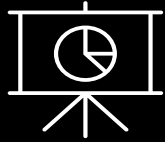




# Key Takeaways and Recommendations of 2022 PGS Results



# Key Takeaways for 2022 PGS



## *Key Takeaways for PGS 2022*

*(What are the protection gaps observed?)*



## *Platform Workers*

*(How do the PWs fare against the EAs?)*



## *Segmenting PGS Results*

*(Which population segment contributes the most to the protection gap?)*



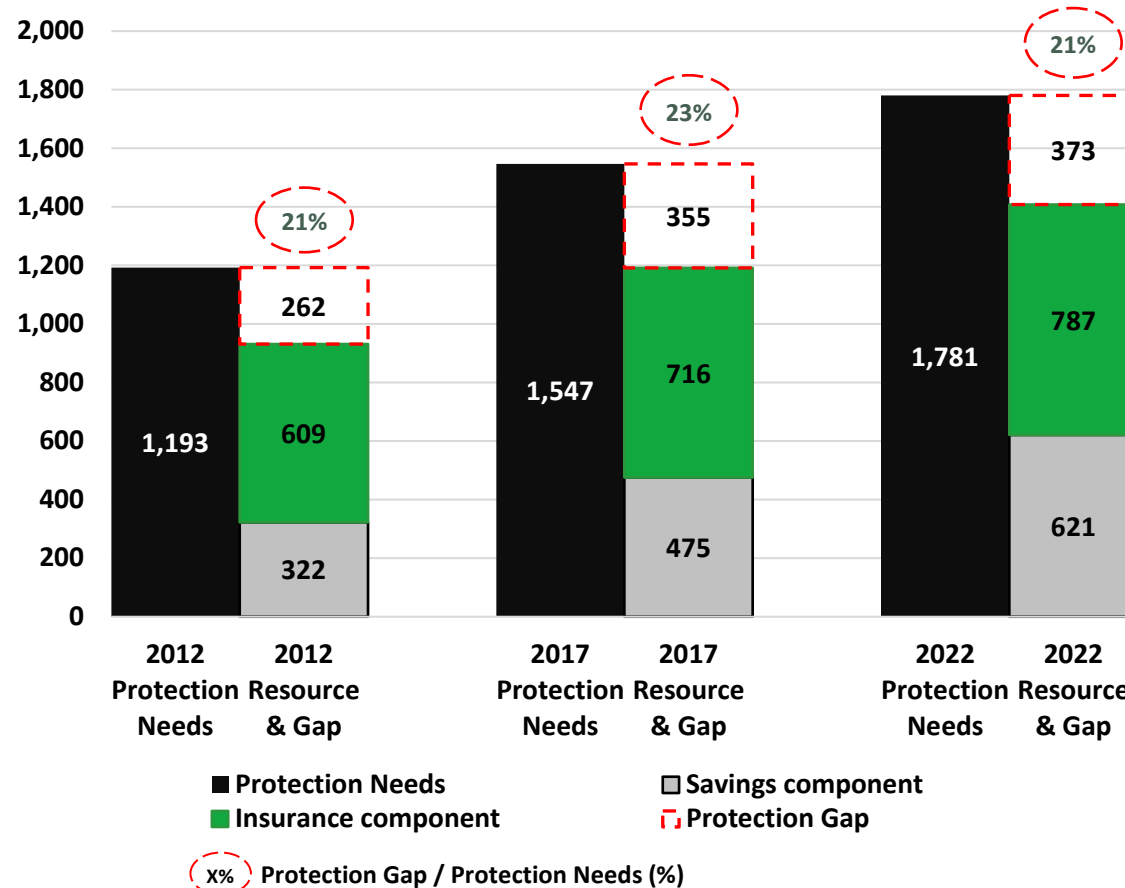
## *Recommendations*

*(What are some ways to narrow the protection gap?)*



# Key Takeaways for 2022 PGS

EA Mortality Protection Needs and Gap from 2012 to 2022  
(S\$ billion)



\*The Rule of Thumb refers to the Mortality Protection Needs (as a multiple of the average annual income) and is derived based on the average demographic in Singapore. Readers are advised to note that the Protection Need multiple may differ based on an individual's circumstances such as the number of dependents and income levels.

## Key Takeaways

- **Mortality Protection Gap:** Singapore's mortality protection gap remained relatively unchanged between 2017 and 2022, despite an increase in Mortality Protection Needs (due to reasons such as an overall increase in costs and number of EAs in 2022).
- This is due to an **overall increase in income levels** (resulting in a higher spouse income to offset household needs upon passing), **increase in CPF and Other Savings by 47%**; and **increase in life insurance coverage by 11%**.

**Rule of Thumb for Mortality Protection Needs\*** (which can be met by both savings and insurance coverage): Approximately 9X-10X of annual income

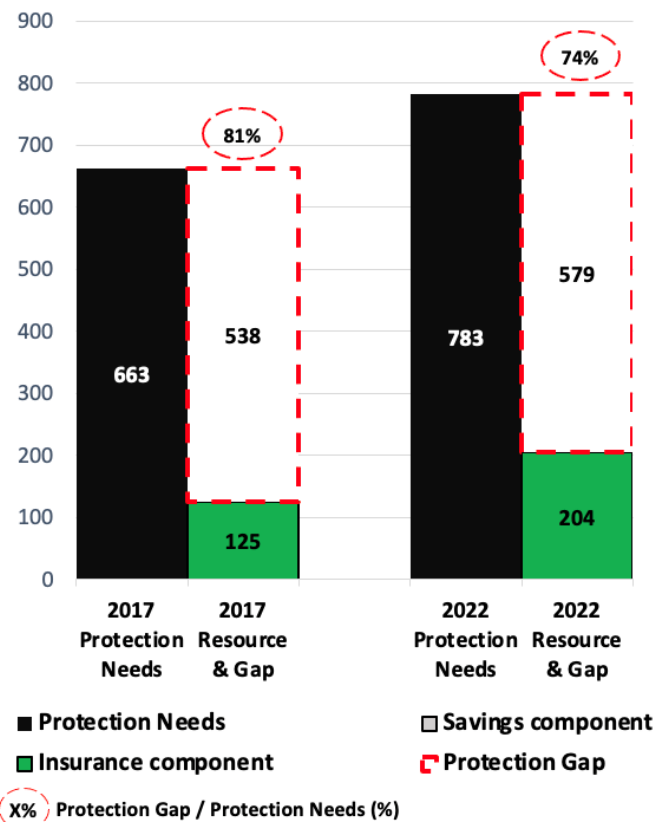
## Supplementary Market Survey Highlights

- From the survey results, the **top 3 sources of financial concerns** for EAs are healthcare expenses (65%), retirement planning (62%) and inability to work due to CI (30%).
- Generally, there appears to be a **lower priority to plan for one's dependents / for legacy planning**, with only 23% selecting this as part of their financial concerns.
- The survey results suggest that there may potentially be a gap in the general public's understanding of insurance products' benefits as **50% of EA respondents** indicated that the insurance industry can improve by **simplifying the products**, making them easier to understand, and providing **simplified illustrations and tools**.



# Key Takeaways for 2022 PGS

EA CI Protection Needs and Gap from 2017 to 2022  
(S\$ billion)



CI insurance coverage include lump sum payments from CI base products and riders. CI coverages in the form of reimbursements (from medical products) are not included.

\*The Rule of Thumb refers to the CI Protection Needs (as a multiple of the average annual income) and is derived based on the average demographic in Singapore. Readers are advised to note that the Protection Need multiple may differ based on an individual's circumstances such as the number of dependents and income levels.

## Key Takeaways

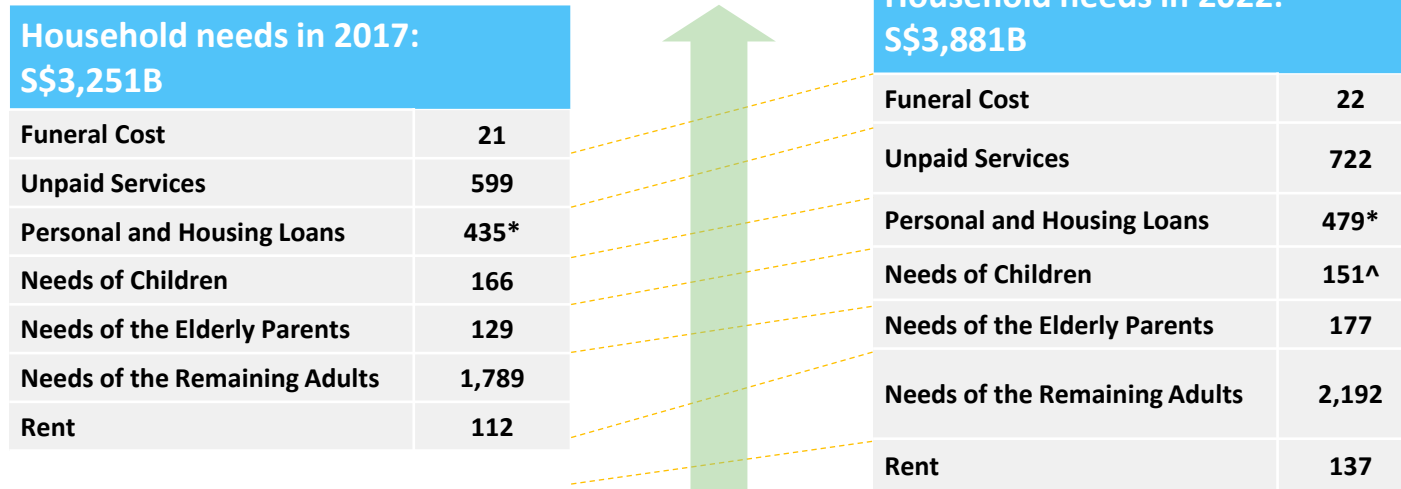
- **CI Protection Gap:** Singapore's CI protection gap has reduced from 81% to 74% between 2017 and 2022, despite the increase in CI protection needs during this period.
- The **reduction in CI protection gap** is mainly driven by a **63% increase in CI coverage** taken up since 2017 (based on the insurer policy data received).

**Rule of Thumb for CI Protection Needs\*** (which can be met by both savings and insurance coverage): Approximately 4.0X of annual income, based on an assumed 5-year CI recovery period.

## Supplementary Market Survey Highlights

- The survey results suggest that the EA respondents perceive a shorter CI recovery period of 3.4 years (on average), as compared with the recovery period of 5 years that was assumed for the 2022 PGS.
- Respondents have also provided the top reasons for **purchasing additional insurance**, where the top 2 reasons are:
  - **Insufficient existing insurance coverage** (45%), suggesting that respondents are generally incentivized to purchase additional insurance when there is awareness of a shortfall in their coverage; and
  - **Financial responsibilities for dependents** (32%), suggesting that respondents generally consider purchasing additional insurance as a form of financial protection for their dependents.
- In contrast, the top 2 reasons for **not purchasing additional insurance** are:
  - **Not being able to afford the additional expense** (50%), suggesting that respondents may have a relatively tight budget; and
  - **Insurance premium being too expensive** (47%) suggesting that respondents generally perceive insurance premiums to be costly.

# Key Takeaways for 2022 PGS



## Observations

- In general, almost all types of expenditure items (under the Household Needs) have increased from 2017 to 2022, except for ‘Needs of Children’. The decrease in expenditure on children across all households is due to a decrease in number of households with children of dependent age (i.e. children below the age of 20).
- The total Household Needs have increased by 19%;
  - This is mainly due to the increase in elderly needs (37%), driven mainly by the increase in number of dependent elderly per capita, and needs of remaining adults (23%), which is mainly driven by higher expenditure on items such as good, clothing, transport etc.



## Key Takeaways



- Though Household Needs have increased by 19%, the average wage levels have increased, resulting in an increase in spouse’s income by 32% (as compared to 2017 PGS) for families with an EA spouse to offset the Household Needs upon the EA’s passing, thereby lowering the overall Protection Needs (‘Household Needs’ less ‘Spouse Income’).
- Coupled with an overall increase in CPF funds, deposits and life insurance coverage, as compared to 2017, the Mortality Protection Gap remains close to 20% in 2022.

*\*In the event of death of any EA in the household, it is assumed that the entire loan liability of the household will be part of the Household Needs to calculate the Protection Gap. For example, assuming a household with 2 EAs and an aggregate \$1 mil outstanding property loan, each EA needs insurance coverage of \$1 mil, so that the surviving EA no long bears any loan burden.*

*^Needs of children has decreased from 2017 to 2022.*

# Key Takeaways for 2022 PGS

2017 PGS (Individual Insurance Statistics)	
<b>Mortality</b> 	
Average no. of policies per policyholder	2.65
Average mortality coverage per policyholder	S\$290.1K (3.6x of annual income)
<b>Critical Illness</b> 	
Average no. of standalone policies per policyholder	< 1 (0.53)
Average CI coverage per policyholder	S\$128.9K (1.6x of annual income)

2022 PGS (Individual Insurance Statistics)	
<b>Mortality</b> 	
Average no. of policies per policyholder	3.00
Average mortality coverage per policyholder	S\$331.2K (3.6x of annual income)
<b>Critical Illness</b> 	
Average no. of standalone policies per policyholder	<1 (0.91)
Average CI coverage per policyholder	S\$193.3K (2.1x of annual income)

## Key Takeaways

- There is an **increase in number of policies and average mortality coverage** owned by the EA policyholders from 2017 to 2022.
- For CI, the average number of individual standalone policies is less than 1 as CI riders are not considered as standalone CI policies, but EAs owning any form of CI coverage (including CI riders) are considered as CI policyholders. We observed that the **take-up of standalone CI policies has improved** from 0.53 in 2017 to 0.91 in 2022.
- For CI, there is also an **increase in the average CI coverage per policyholder** from S\$129K in 2017 to S\$193K in 2022.


Group Insurance and Dependants' Protection Scheme (DPS) insurance policies were excluded from the statistics above to analyse the purchase behavior of individuals with respect to individual insurance policies.

2016 Annual Income = S\$ 81,663 per Economically Active Adult (an increase of 25% from 2012 PGS)  
2021 Annual Income = S\$ 90,855 per Economically Active Adult (an increase of 11% from 2017 PGS)

# Rule of Thumb

**Mortality Protection**  
Average mortality protection coverage required

2017 PGS	
Protection Need Multiple (of Average Annual Income)	9.0X of annual income*
Coverage Recommendation (for an EA adult in SG)	Approximately 9.0X-10.0X of annual income



2022 PGS	
Protection Need Multiple (of Average Annual Income)	9.0X of annual income**
Coverage Recommendation (for an EA adult in SG)	Approximately 9.0X-10.0X of annual income <i>(Remain the same as 2017 PGS)</i>

\*2016 Annual Income for EA = S\$ 81,663 per Economically Active Adult (an increase of 25 % from 2012 PGS)

\*\*2021 Annual Income for EA = S\$ 90,855 per Economically Active Adult (an increase of 11 % from 2017 PGS)


**Note:**

1. Readers are advised to note that the Protection Need multiple may differ based on an individual's circumstances such as the number of dependents and income levels.
2. The Mortality Protection Need multiple for PW is estimated to be 22.3X of PW annual income. This is higher than the multiple for EAs due to a lower average annual income for PWs (S\$35,646).

# Rule of Thumb

**Critical Illness Protection**  
Average CI protection coverage required

2017 PGS	
Protection Need Multiple (of Average Annual Income)	3.9X of annual income*
Coverage Recommendation (for an EA adult in SG)	Approximately 4.0X of annual income



2022 PGS	
Protection Need Multiple (of Average Annual Income)	3.9X of annual income**
Coverage Recommendation (for an EA adult in SG)	Approximately 4.0X of annual income <i>(Remain the same as 2017 PGS)</i>
	<i>Based on an assumed 5-year CI recovery period^</i>

\*2016 Annual Income for EA = S\$ 81,663 per Economically Active Adult (an increase of 25 % from 2012 PGS)

\*\*2021 Annual Income for EA = S\$ 90,855 per Economically Active Adult (an increase of 11 % from 2017 PGS)

**Note:**

1. ^The 5-year CI recovery period is an assumption within the 2022 PGS, which was assessed and remained suitable for the study in 2022. More details are provided in the full PGS report.
2. Readers are advised to note that the Protection Need multiple may differ based on an individual's circumstances such as the number of dependents and income levels.
3. The CI Protection Need multiple for PW is estimated to be 8.9X of PW annual income. This is higher than the multiple for EAs due to a lower average annual income for PWs (S\$35,646).



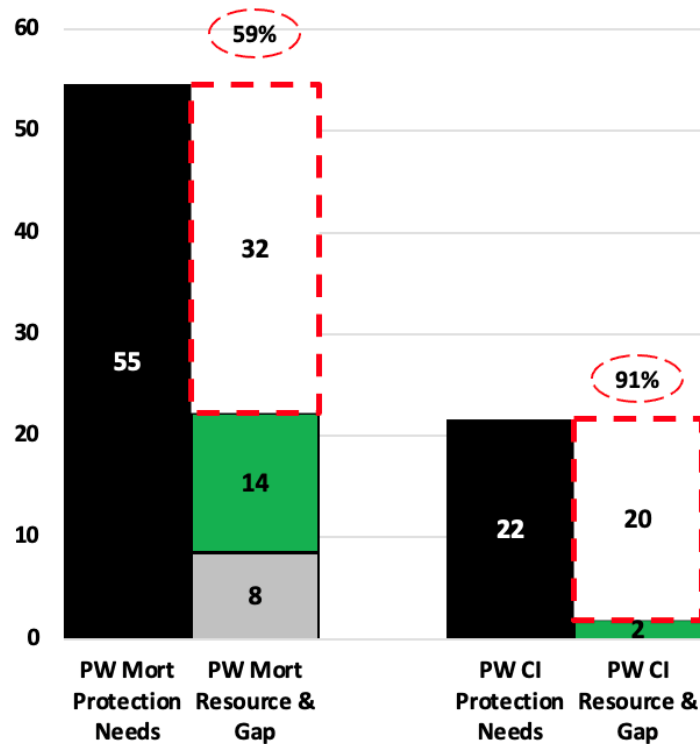


# Platform Worker (“PW”) Segment



# Platform Worker (“PW”) Segment

PW Protection Needs and Gap for 2022 (\$ billion)



■ Protection Needs ■ Savings component ■ Insurance component ■ Protection Gap

X% Protection Gap / Protection Needs (%)

## Key Takeaways

- The 2022 PGS includes an inaugural protection gap study for the PW population, therefore prior year results are unavailable for comparison.
- The study on the PW population finds that, on average, **PWs have a 59% Mortality Protection Gap and a 91% CI Protection Gap**. This is mainly due to:
  - **Lower savings** (CPF and deposits) as compared to an average EA
  - **Lower insurance coverage** as compared to an average EA (in terms of sum assured purchased and number of policies held)

## Supplementary Market Survey Highlights

- **More than half of the respondents (60%)** indicated that they are **not covered under Group insurance** (provided by an employer), and a further 16% indicated that they are unaware of any Group Insurance coverage.
- Results from the survey also suggest that, on average, **PW respondents own less term and CI insurance policies** as compared to the EA respondents. For example, % of EA and PW respondents owning:
  - Term plans – 41% EA vs 20% PW
  - CI Plans – 50% EA vs 33% PW
- This survey also indicated that nearly 1 in 2 PW respondents (47%) hope that the **insurance industry can offer touchpoints that will be accessible** to PWs for the purposes of seeking advice and provide relevant resources in support of their insurance purchase and financial planning needs.

# EA vs PW – Analysis on Insurance Purchase

EA (Individual Insurance Statistics)		PW (Individual Insurance Statistics)	
<b>Mortality</b>		<b>Mortality</b>	
Average no. of individual policies per policyholder	3.00	Average no. of individual policies per policyholder	1.48
Average mortality coverage per policyholder	S\$331.2K (3.6x of annual income)	Average mortality coverage per policyholder	S\$179.2K (5.0x of annual income)
<b>Critical Illness</b>		<b>Critical Illness</b>	
Average no. of individual standalone policies per policyholder	<1 (0.91)	Average no. of individual standalone policies per policyholder	<1 (0.90)
Average CI coverage per policyholder	S\$193.3K (2.1x of annual income)	Average CI coverage per policyholder	S\$122.3K (3.4x of annual income)

## Key Takeaways

- On average, **PW policyholders own less insurance policies** with mortality coverage as compared to EA policyholders.
- The **average mortality and CI coverage per policyholder (as a multiple of average annual income) is higher for PWs**, due to a lower average annual income (S\$35,646) compared to EAs (S\$90,855). Despite having a higher multiple, the total Protection Gap (as a proportion of Protection Needs) for PWs is higher than EA due to lower savings and lower insurance coverage owned on average, when comparing total PW population to total EA population.
- In addition, the **average mortality coverage per policy for EAs at S\$110K (i.e. S\$331K/3) is lower than that for PWs at S\$121K (i.e. S\$179K/1.48)**. This is contributed by the following reasons:
  - PWs owning traditional protection products (such as Term plans), which typically provides a higher mortality coverage; and
  - EAs owning more Endowment / Savings products (which offers lower mortality coverages), as compared to PWs.

*Group Insurance and Dependants' Protection Scheme (DPS) insurance policies were excluded from the statistics above to analyse the purchase behavior of individuals with respect to individual insurance policies.*

2021 Annual Income for EA = S\$ 90,855 per Economically Active Adult  
2021 Annual Income for PW = S\$ 35,646 per Platform Worker

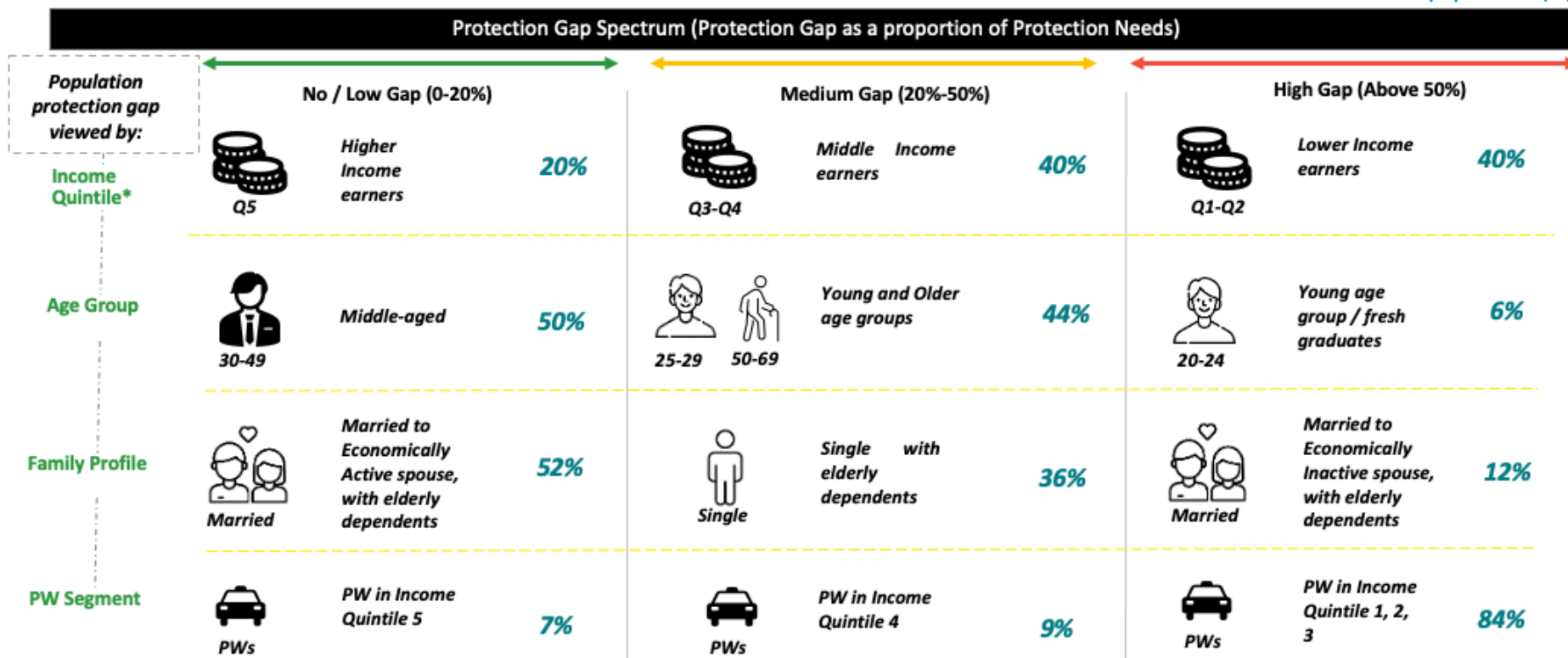


# Segmentation of PGS 2022 Results



# Segmentation for the Mortality Protection Gap

Proportion of population (%)



Note: The segmentation above are based on the average profiles of each segment.

For example, Q5 would have considered SG/PR with different ages, and family profiles within Q5

## Key Takeaways

- No/low protection gap observed for Q5, and the middle aged, as they tend to have higher amount of savings and stronger financial ability to purchase the insurance coverage they require.
- No protection gap observed for those Married to an EA spouse due to offsetting impact on protection needs, stemming from the EA spouse's income.

## Key Takeaways

- Medium protection gap observed for Q3 to Q4, and those aged 25-29, as they have less financial ability to purchase the insurance coverage they require.
- For those aged 50 or older, the protection gap widens as their available resources reduce at a faster rate than the rate of reduction of their protection needs.

## Key Takeaways

- High protection gap observed for Q1 to Q2, the younger ages 20-24, the fresh graduates, as well as EAs married to an EI spouse; due to having lower savings, as well as weaker financial ability to purchase the insurance coverage they require.

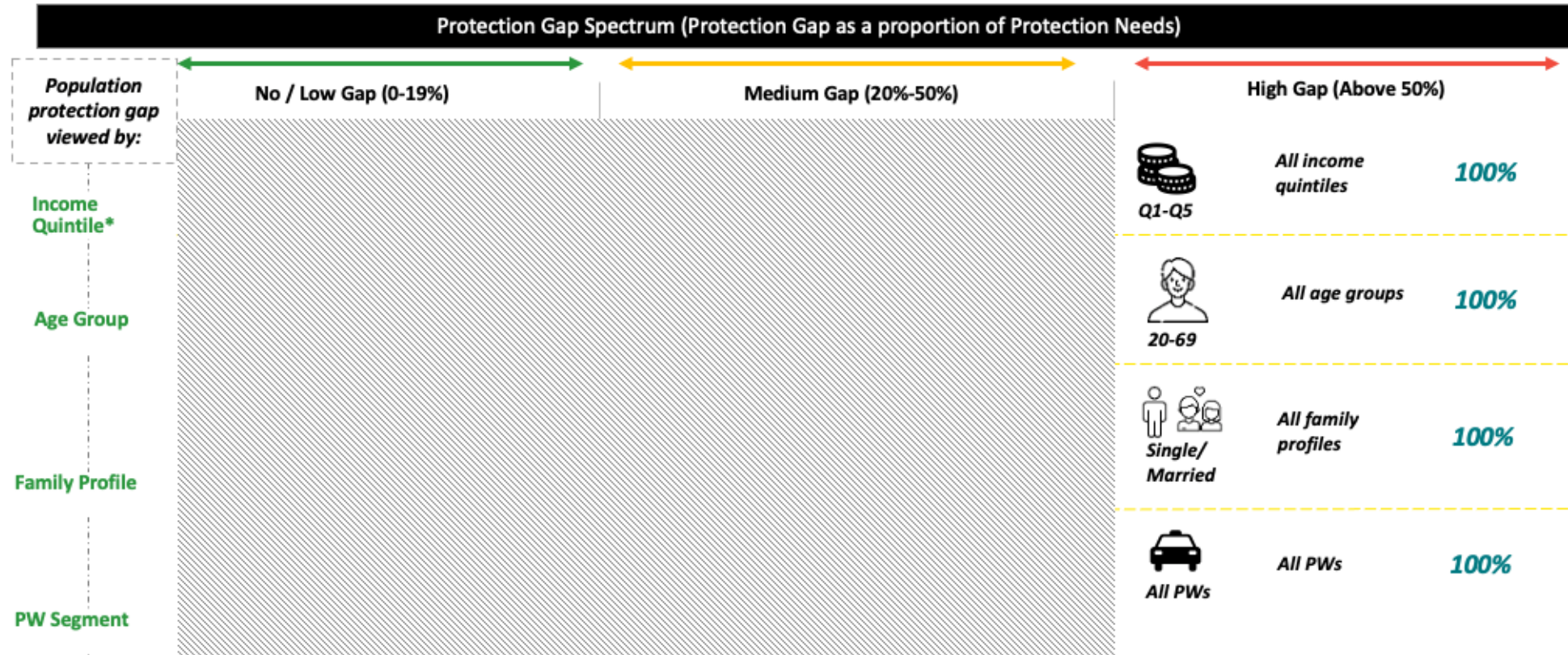


\*(Monthly) Income quintiles - Q1: <S\$2,000, Q2: S\$2,000-S\$2,999, Q3: S\$3,000-S\$4,999, Q4: S\$5,000-S\$7,999, Q5: >=S\$8,000



# Segmentation for the Mortality Protection Gap

Proportion of population (%)



## Key Takeaways

- There is generally a high CI protection gap across **all income quintiles, age groups, family profile and Platform Workers profiles** due to a relatively lower CI insurance coverage held to cover the CI protection needs / expenditures during the CI recovery period.

Note: The segmentation above are based on the average profiles of each segment. For example, Q5 would have considered SG/PR with different ages, and family profiles within Q5



\*(Monthly) Income quintiles - Q1: <\$2,000, Q2: \$2,000-\$2,999, Q3: \$3,000-\$4,999, Q4: \$5,000-\$7,999, Q5: >=\$8,000



# Recommendations



# Recommendations

## 1

Enhancing the understanding and reach of insurance policies through product innovations and further simplification of policy-related materials

- Findings from the supplementary market survey showed that 1 in 2 (50%) EA respondents opine that the insurance industry should consider the following improvement areas:
  - Creating products that are easy to understand.
  - Providing simplified illustrations or tools to help consumers understand each policy's benefits.
  - Using layman's language to describe policy's features and benefits.
- Though insurers have deployed various initiatives over these years to address the above-mentioned improvement areas (including but not limited to simplified products with clear benefits, visual illustrations of product features and benefits), it appears that there remains lingering consumer perceptions of insurance products being "complicated". Opportunity remains for the insurance industry to investigate into this aspect further to explore how best to demystify insurance and make it accessible (both in terms of understanding and reach) to consumers at large.

## 2

Adopting a customer profile and needs-based understanding approach to develop tailored customer segment-led propositions, product solutions and distribution approaches aimed at specific groups with medium to high protection gaps (e.g. underserved segments such as those that are less educated, and/or those of lower income)

- With reference to the segmented-view of the Mortality and CI Protection Gaps within the 2022 PGS, the insurance industry may consider adopting a customer segmentation approach when presenting their insurance solutions - particularly to those customer segments with medium to high protection gap. This may potentially be achieved through:
  - Tailored product solutions & propositions
  - Tailored distribution (for the underserved segments such as those that are less educated, and/or those of lower income).



# Recommendations

## 3

### Boosting consumer awareness and understanding about protection through public education initiatives

- As the insurance landscape is constantly evolving, there is a need for education to the public on the importance of insurance in their financial planning, especially to the younger generations entering the workforce.
- A non-exhaustive list of areas of education to the public may include:
  - **Building insurance knowledge:** Fundamentally, there will be a need to build general knowledge around different types of insurance products, in the market, its benefits, and how it works.
  - **Keeping abreast on latest developments:** Insurance companies introduce various products to the market every year to meet new demands, thus it will be important to constantly educate the public on these developments.
  - **Financial planning:** There will also be a need to regularly review the insurance coverages owned as consumers enter different stages of their lives and therefore, have different needs.

## 4

### Making it easier for underserved members of the public (e.g. Platform Workers) to reach accessible touchpoints to better understand and address their protection and financial planning needs

- The study on the PW population indicates that there are a few areas of consideration to narrow the PW Protection Gap;
  - Improving the PW's awareness on the importance and relevance of insurance; and
  - Enhancing the accessibility of insurance to PW; both in terms of their ability to access resources easily and conveniently, as well as the knowledge on insurance (for example, the different insurance product types available and the protection needs they fill).
- Findings from the supplementary market survey suggest that PW respondents generally have lower awareness on insurance coverage:
  - More than half of the respondents (60%) indicated that they are not covered under group insurance, and 16% of the respondents are unaware of any group insurance coverage. This is contrary to desktop research which shows that most platform companies offer free personal accident insurance for the duration of the job/ride which covers accidental death.
  - Out of the 24% of PW respondents who indicated that they have Group Insurance coverage, more than 10% are unaware of the benefits offered.
- The survey indicated that close to 1 in 2 (47%) PW respondents hope that the insurance industry can provide more accessible touchpoints to seek financial advice. Possible ways to provide accessible touchpoints are by:
  - Offering a point of contact for PWs during the sales process (for example, roadshows at the offices of platform providers)
  - Providing different forms of distribution channels to offer advice to the PWs (for example, most PWs are in the older age groups and therefore, may prefer face to face consultations).





# Supplementary Market Survey Highlights





# Supplementary Market Survey Key Insights

A summary of the key insights gathered is included below:

- **Sources of financial concerns:** The top 3 sources of financial concerns are the same for EA and PW, being **healthcare expenses (65%, 68%), retirement planning (62%, 45%) and inability to work due to CI (30%, 32%).**
- **Group Insurance coverage for PW:** More than half of the respondents (60%) indicated that they are **not covered under group insurance**, and 16% of the respondents are **unaware of any group insurance coverage.**
- **Reasons for purchasing insurance:** Top reasons for **taking up additional insurance protection** for both EA and PW includes **insufficient existing insurance coverage (45%, 43%) and having financial responsibilities for dependents (32%, 27%).**
- **Reasons for not purchasing insurance:** Top reasons for **not purchasing additional insurance** for both EA and PW include **not being able to afford the additional expense (50%, 37%) and insurance premium is too expensive (47%, 47%).**
- **Improvement areas for the industry:** Over 50% of respondents indicated the insurance industry can improve by **simplifying the products** and ensuring insurance products **can be understood using simple language**
- **Covid-19 impact:** For both EA and PW, the main reasons leading to the concern includes concerns on own medical expense (41%, 38%) and job/income uncertainty (23%, 33%). **Higher proportion of PW compared to EA indicating job/income uncertainty as the main reason** also shows that Covid-19 may have resulted in **larger impact for PW** due to volatility in the nature of their work.





# Appendix



# About the PGS

The Protection Gap Study (PGS) 2022 commissioned by LIA Singapore was conducted independently by Ernst & Young Advisory Pte Ltd. The study drew upon insurance data available until 31 December 2021 from insurers, coupled with 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 are the inclusion of an inaugural protection gap study for the PW population, along with a supplementary market survey to gain deeper insights into the protection gap, thereby enabling a comprehensive reassessment of the assumptions that underpin the study.

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. As such, individual protection needs should be analysed separately.

Another limitation of the study is that a significant portion of PWs sampled falls within the older age group. Nonetheless, the higher mortality protection gap and CI protection gap in comparison to EAs offer a valuable additional insight. This emphasises the importance of addressing the protection gaps among seniors, especially in light of Singapore's growing aging population.

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.



# List of life insurers included in policy data collection

- AIA
- AXA
- China Life
- China Taiping
- Etiqa
- FWD Singapore
- GE Life
- HSBC Insurance
- Income
- Manulife
- Prudential
- Singlife
- Sun Life
- Swiss Life
- Tokio Marine Life
- Transamerica





# Thank You

---

## Address

79 Anson Road #11-05  
Singapore 079906

## Website

[www.lia.org.sg](http://www.lia.org.sg)

## Email

[lia@lia.org.sg](mailto:lia@lia.org.sg)

