

## Protection Gap Study 2022 FAQs for Public

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### 1. How is this year's Protection Gap Study (PGS) different from the last one in 2017?

- PGS 2022 provides insights for the industry, life insurers and reinsurers, as well as other stakeholders – including employers and relevant government agencies – to implement actionable strategies that will support individuals to meet their protection and financial planning needs.
- In the lead-up to each conduct of the PGS, a detailed review of the scope of the study will be administered, with an aim to ensuring that all relevant industry developments will be accounted for, and that areas needing investigation, deep-dive for better understanding and / or updated inputs, will be incorporated into the study's updated assessment scope.
- PGS 2022 comprises two new aspects:
  - a. In recognition of the Platform Workers (PWs) being a growing segment within the community, an analysis of their protection needs was included in PGS 2022. This is a starting point for us to understand their mortality and critical illness (CI) protection gaps and explore how might the industry come together to address these gaps and help the PWs meet their protection needs.
  - b. In addition to the analysis of policy data provided by participating life insurers, a supplementary market survey was administered among 775 Economically Active (EA) individuals in Singapore to seek an understanding of their perceptions, concerns and priorities relating to mortality and CI protection.

### 2. What are the key takeaways from PGS 2022? What does PGS 2022 hope to achieve? What is LIA Singapore and the industry doing to close these protection gaps?

- Singapore's CI Protection Gap amongst EA individuals has narrowed by a notable 7% - down to 74% in 2022 from 81% in 2017. The average CI coverage per policyholder increased by approximately S\$64,400 to S\$193,300 in 2022. This is approximately 2.1 times of average annual income.
  - This reduction in CI protection gap from 2017 was mainly driven by an approximate 63% increase in CI coverage since then.
- Singapore's Mortality Protection Gap remained relatively unchanged for EA individuals despite an increase in mortality protection needs.
  - EA individuals in Singapore have approximately 79% of their mortality protection needs met. Though the mortality protection needs increased between 2017 and 2022 – primarily due to an overall increase in costs of living and number of EA individuals – the mortality protection gap remained relatively unchanged from 2017, with a slight 2% decrease from 23% to 21%.
  - This is largely due to income levels going up, increase in Central Provident Fund (CPF) and other savings by 47%, as well as an 11% uplift in life insurance coverage.

- Aside, PGS 2022 also found that there is a 59% mortality protection gap and a 91% CI protection gap among PWs. This is primarily attributed to them having lower CPF and deposit savings, as well as lower insurance coverage as compared to EA individuals.
- While mortality and CI protection gaps persist, there has been progress recorded since our last study in 2017. There is greater awareness and appreciation of the value of insurance in Singapore, and more individuals are taking actions to better meet their protection needs.
- While this progress is encouraging, we know more can and must be done to support different members of our community, such as the PWs. The life insurance industry will continue leading the charge on these efforts, leveraging insights from the study to inform initiatives for LIA Singapore, member companies, and other relevant stakeholders to pursue and to get more individuals better insured.
- Some areas that the industry will explore developing initiatives for, include:
  - Enhancing the understanding and reach of insurance policies through product innovations and further simplification of policy-related materials
  - Adopting a customer profile and needs-based understanding approach to develop tailored customer segment-led propositions, product solutions and distribution approaches aimed at supporting 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)
  - Boosting consumer awareness and understanding about protection through public education initiatives
  - Making it easier for underserved members of the public (e.g. the PWs) to reach accessible touchpoints to better understand and address their protection and financial planning needs

### 3. How are the recommended coverage levels for EA individuals' mortality protection and CI protection needs derived?

- There are no recommended coverage levels that will fit every individual's needs, as their protection needs will be different depending on their respective circumstances (e.g., number of dependents, income levels). To illustrate the findings of PGS 2022, the mortality and CI protection needs per person have been expressed as a multiple of the average annual income, based on the average demographic of our city state.
- In PGS 2022, the rules of thumb are as follows:

2022 PGS	Mortality	Critical Illness
Protection Need per EA	S\$ 813,892	S\$ 357,864
Average Annual Income	S\$ 90,855	S\$ 90,855
Protection Need (of Average Annual Income)	9.0x of annual income	3.9x of annual income
Coverage Recommendation (for EA)	Approximately 9.0x-10.0x of annual income	Approximately 4.0x of annual income

*Note: Annual Income = S\$ 90,855 per Economically Active Adult*

- More details on the derivation of the mortality and CI protection needs are included in the report under Sections 4 and 5.

#### **4. PGS 2022 highlighted the recommended coverage for EA individuals. What is the recommended coverage for platform workers?**

- There are no recommended coverage levels that will fit every PW's needs, as their protection needs will be different depending on their respective circumstances, such as the number of dependents and income levels. To illustrate the findings of PGS 2022, the mortality and CI protection needs per person have been expressed as a multiple of the average annual income, based on the average demographic of our city state.
- The Mortality Protection Need Multiple for the PWs is estimated to be 22.3x of the PWs' annual income. This is higher than the multiple for EAs due to a lower average annual income that the PWs own.
- The CI Protection Need Multiple for the PWs is estimated to be 8.9x of the PWs' annual income. Similarly, this is higher than the multiple for EAs, due to the lower average annual income that the PWs draw.

#### **5. Why is the average CI recovery period assumed to be five years?**

- For the purpose of PGS, the CI recovery period is defined as the time period from CI diagnosis till the time when the individual is able to return to work.
- CI covers a wide range of illnesses with varying recovery periods. The CI recovery period may vary significantly due to factors such as the type of CI suffered, severity upon diagnosis and medical treatments available.
- Furthermore, the employment status and lifestyle of CI survivors may also differ significantly, for example:
  - Being able to continue working while receiving treatment.
  - Having to downgrade one's employment (e.g. from a full-time job to one on a part-time basis, or having to change a job due to prevailing medical conditions).
  - Being permanently unemployed.
- Industry representatives have also had real life experiences with customers who have been inflicted with different critical illnesses and whose lives were impacted for different lengths of time, depending on the conditions they were experiencing.
- It was with a view and understanding of the considerations above, that the average CI recovery period assumption of five years was defined, and this assumption was applied in PGS 2017.
- Through further research and discussions with industry representatives, this assumption had been assessed as remaining suitable and hence, was also applied in PGS 2022 for comparability across studies.
- More detailed information on the reference studies that support this assumption, and which addresses the sensitivity of the CI results to this assumption, may be found under Section 15 of the report.

**6. What happens after five years and will insurers allow those who have recovered from CI to purchase policies without exclusion?**

- Each application for insurance will be assessed and underwritten based on its merits, and with reference to each individual's health status and medical profile. Based on the information submitted by a prospective client, insurers will undertake a risk assessment to determine the value of coverage and corresponding premium that may be extended.
- The information that will be taken into account during this risk assessment, include the prospective client's medical history, presence of pre-existing conditions, the duration and severity of prior CI contracted (if any) among others, to arrive at an underwriting decision.
- Such an assessment ensures that each application for insurance will be considered equitably which is critical to ensuring that insurers can continue to extend affordable insurance policies to consumers at large.
- In addition, insurers offer different products, each with its defined set of benefits, risk tolerance, and financial capacity. Thus, differences in the risks that insurers provide coverage for are to be expected.