



Protection Gap Study

- as at the end of 2011

A Towers Watson study

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 **Life Insurance Association
Singapore**
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Introduction

Purpose of the study

Estimate the protection needs and protection gap of working adults (economically active) in Singapore against the financial consequences of death, based on the profile of Singapore residents in 2011.

A previous study was completed by Nanyang Technological University (“NTU”) based on the profile of Singapore residents in 2006.

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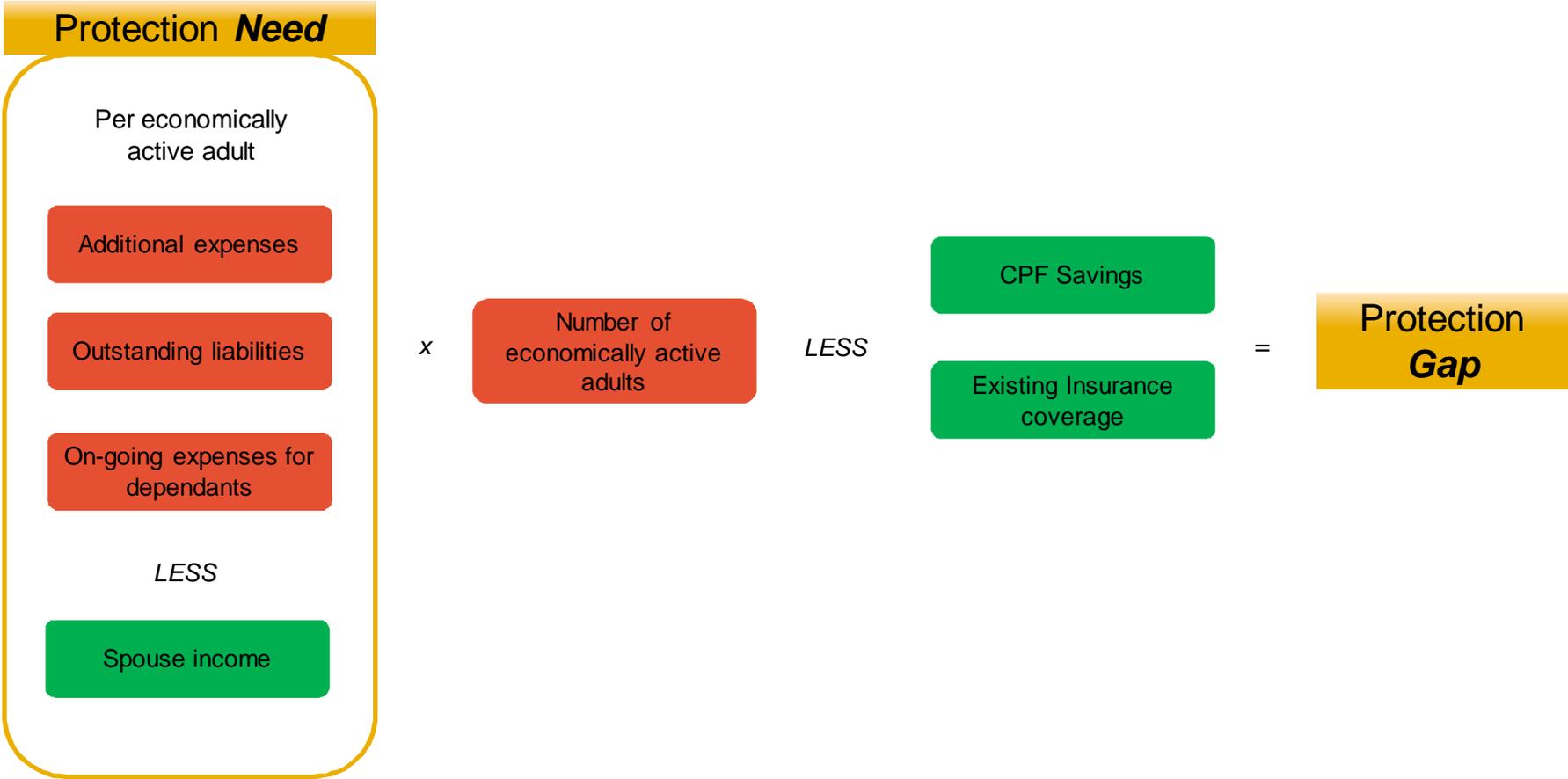
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Definition of the Protection Gap

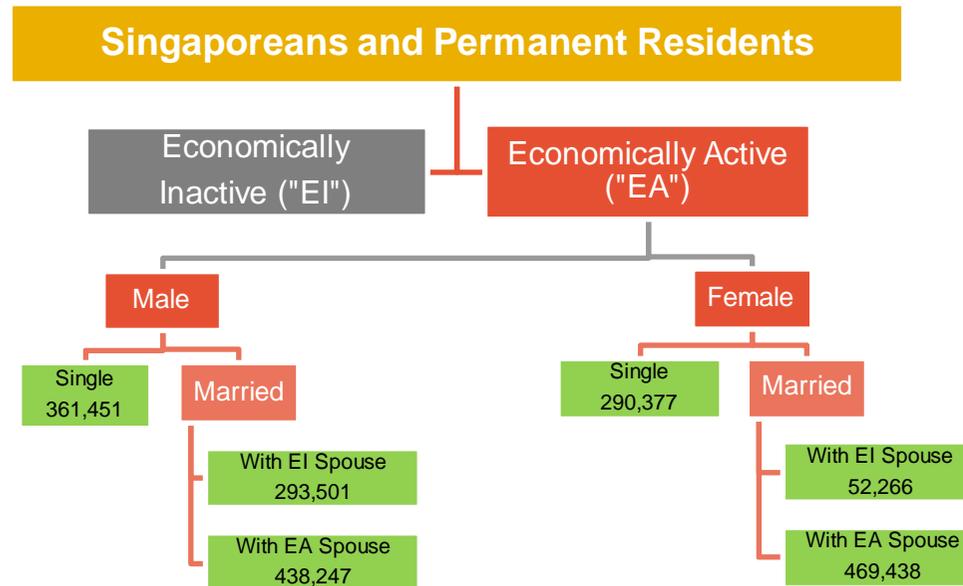


Number of Economically Active Adults



Total Singaporeans and Permanent Residents population end 2011: 3.8 million

Economically active adults: 1.9 million



Summary of Results

Total Protection Gap as at the end of 2011

End of 2011



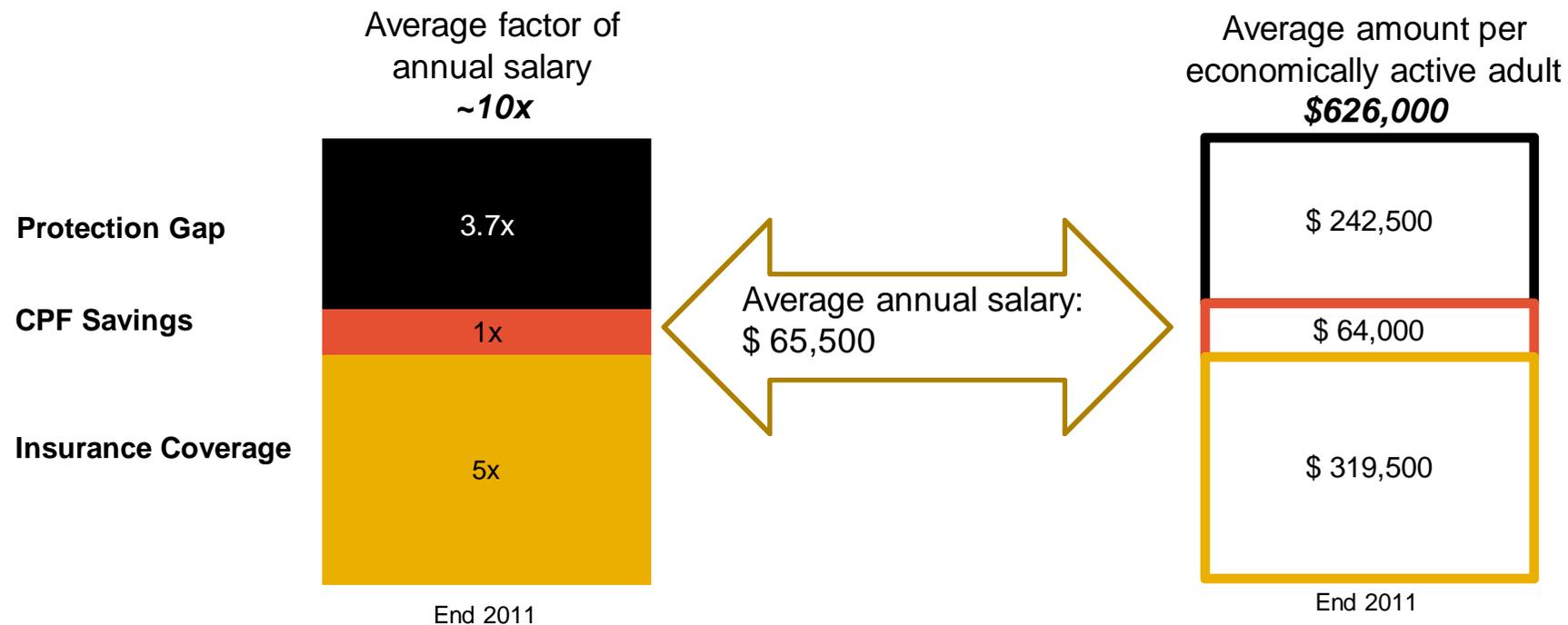
- Protection Needs in Singapore have grown to almost \$1.2 trillion. *Protection Gap*↑
- Insurance protection coverage amounted to \$609 bn: *Protection Gap*↓
- CPF savings increased to \$122 bn: *Protection Gap*↓

Overall Protection Needs and Gap Impacted by:

- Number of economically active adults;
- Inflation;
- Wages levels;
- Family profile (e.g. singles vs. married)

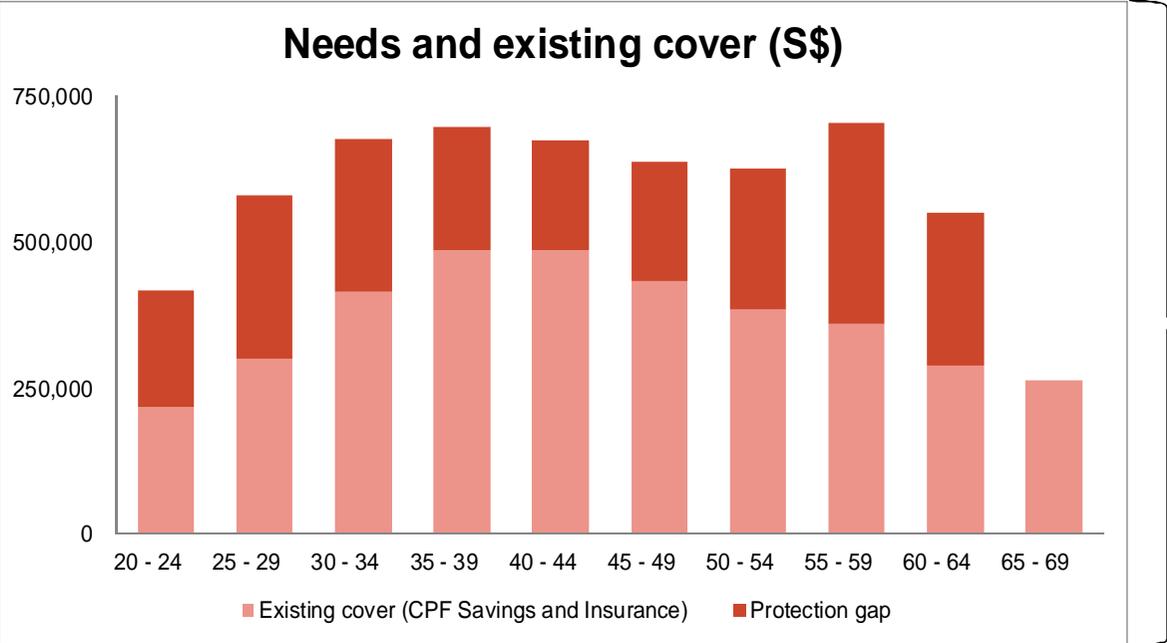
Normalise by expressing Protection Gap and components as a factor of annual income.

Protection Gap per Economically Active Adult (1)



- Overall Protection Needs were nearly 10x annual income.
- Overall Protection Gap was 3.7x annual income.
- Insurance plays a key role in closing the Protection Gap.

Protection Gap per Economically Active Adult (2)



Average Protection Gap per economically active adult:

2011: \$242,500

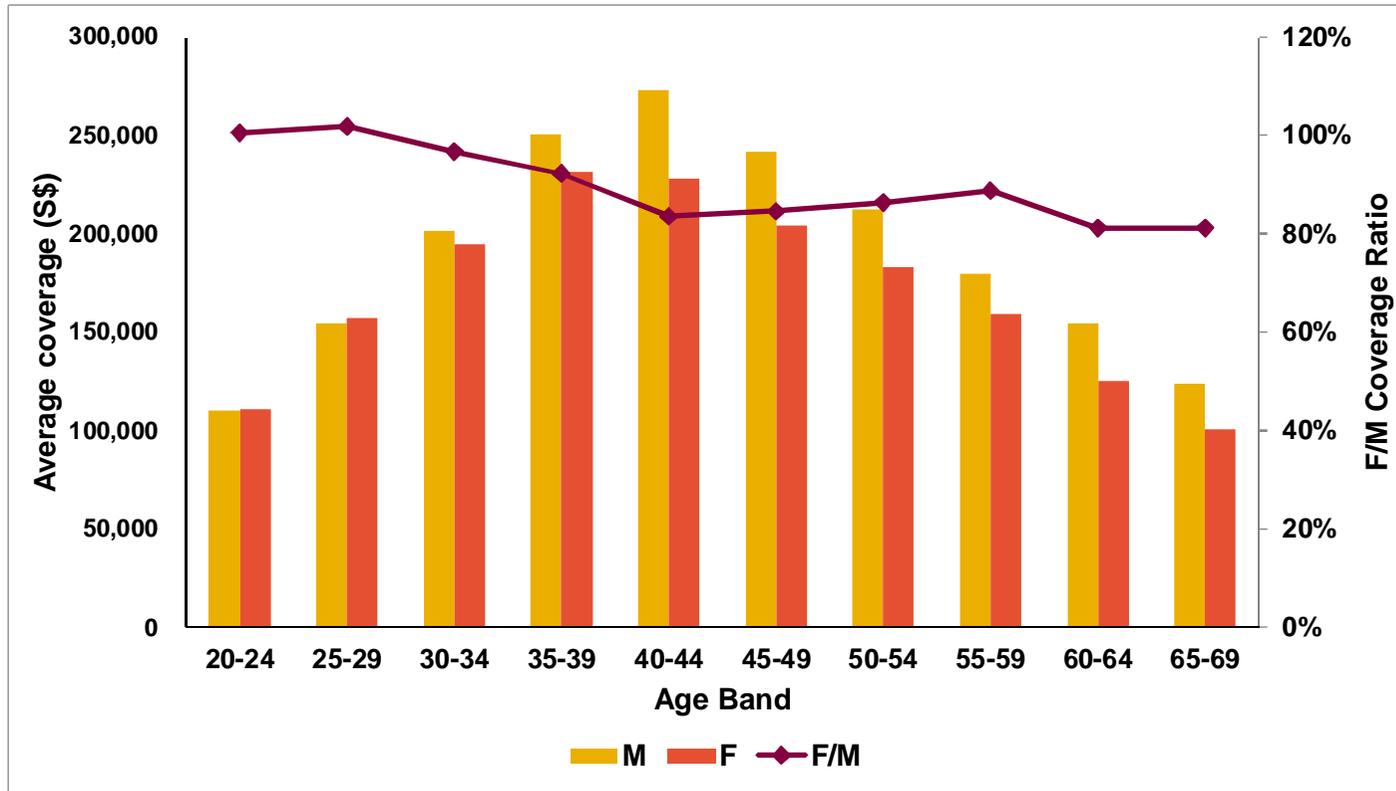
Average insurance coverage per economically active adult:

2011: \$319,500

- Note: the amount of Protection Needs and Protection Gap varies by age bands, gender, income level, and family profile.

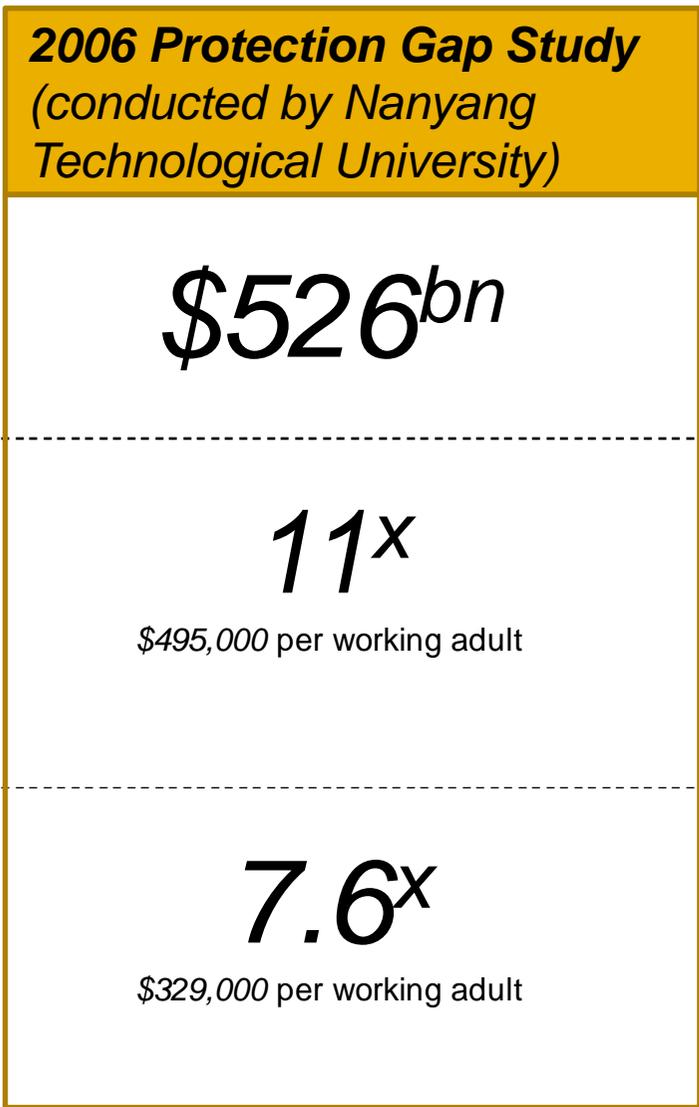
Insurance statistics analysis (1)

- Average sum insured per life insured by age band and gender



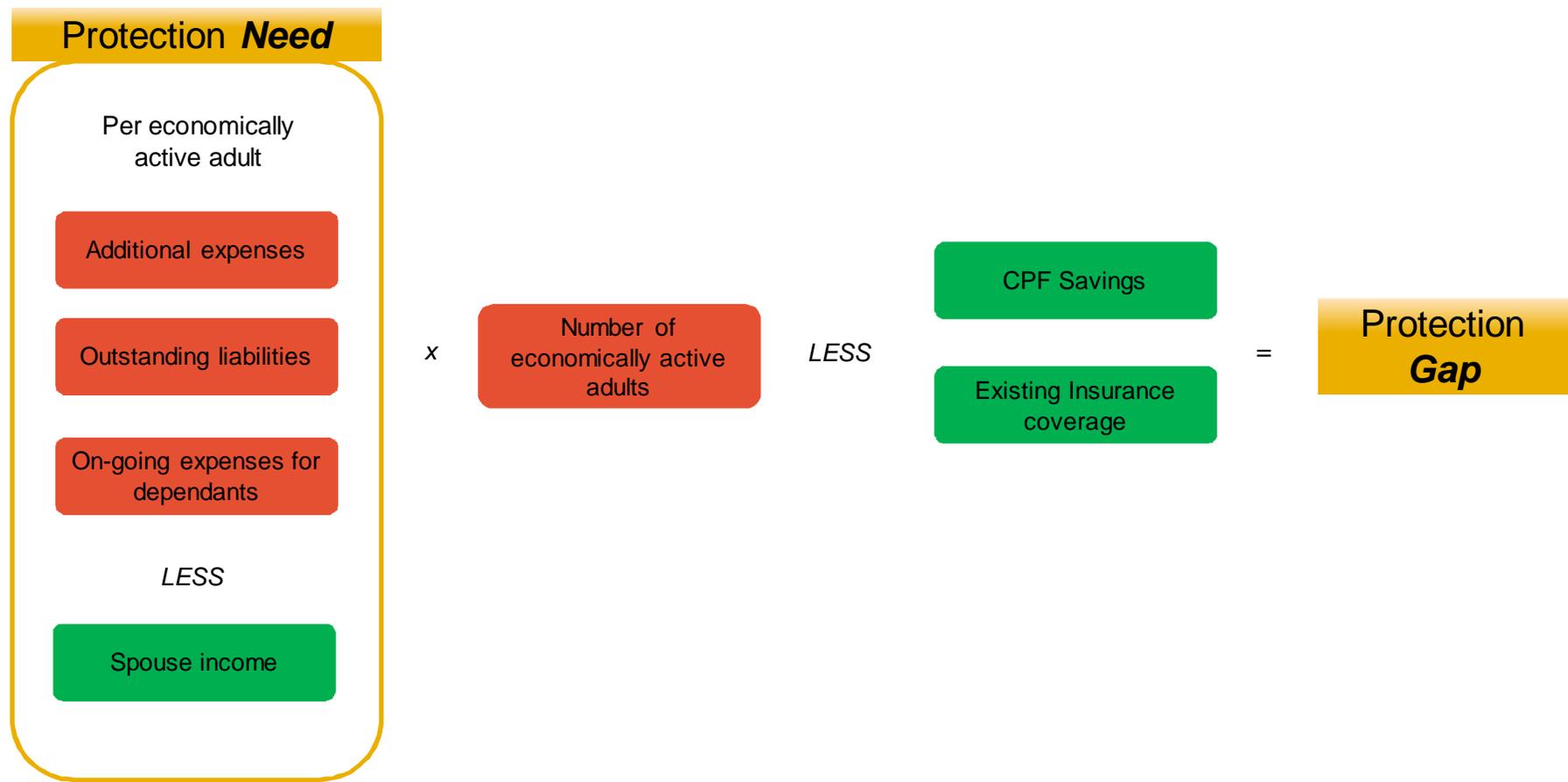
Average individual life insurance coverage (excluding HPS).

Conclusions

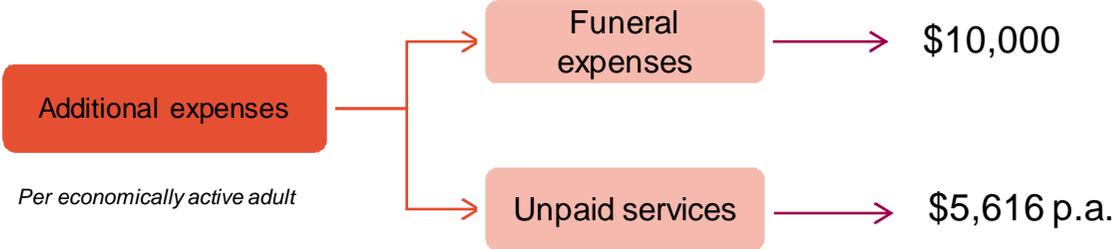


Appendix

Definition of the Protection Gap



Additional Expenses per Economically Active Adult



What is it?

Unpaid contribution to the household eg sending children to school, cooking meals, feeding children etc.

Estimated by the cost of a part-time maid.

Outstanding Liabilities per Economically Active Adult

Outstanding liabilities

Per economically active adult

Personal & housing loans



What is it?

Personal loans include credit card balances, car loans and other personal bank loans.

Personal loans as a proportion of annual personal disposable income was 123%.



What is it?

Housing loans include outstanding public and private housing loans.

Housing loans as a proportion of annual personal disposable income was 331%.

On-Going Expenses for Dependants per Economically Active Adult (1)



What is it?

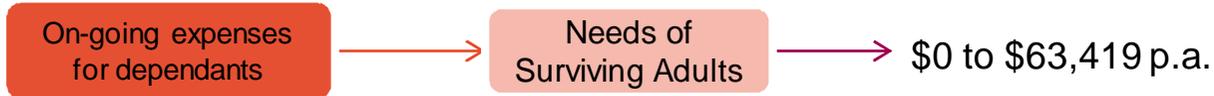
Needs of children include education costs and annual expenses.



What is it?

Needs of elderly parents include annual income from children for the elderly who are financially dependent on their children.

On-Going Expenses for Dependants per Economically Active Adult (2)



Per economically active adult

What is it?

Needs of surviving adults include future household expenses for:

- Spouse;
- Siblings; and
- Other dependent adults



Groceries



Utilities



Medicines

...and other goods & services...

Remaining Spouse's Income per Economically Active Adult

Remaining Spouse's Income

\$0 to \$63,419 p.a.

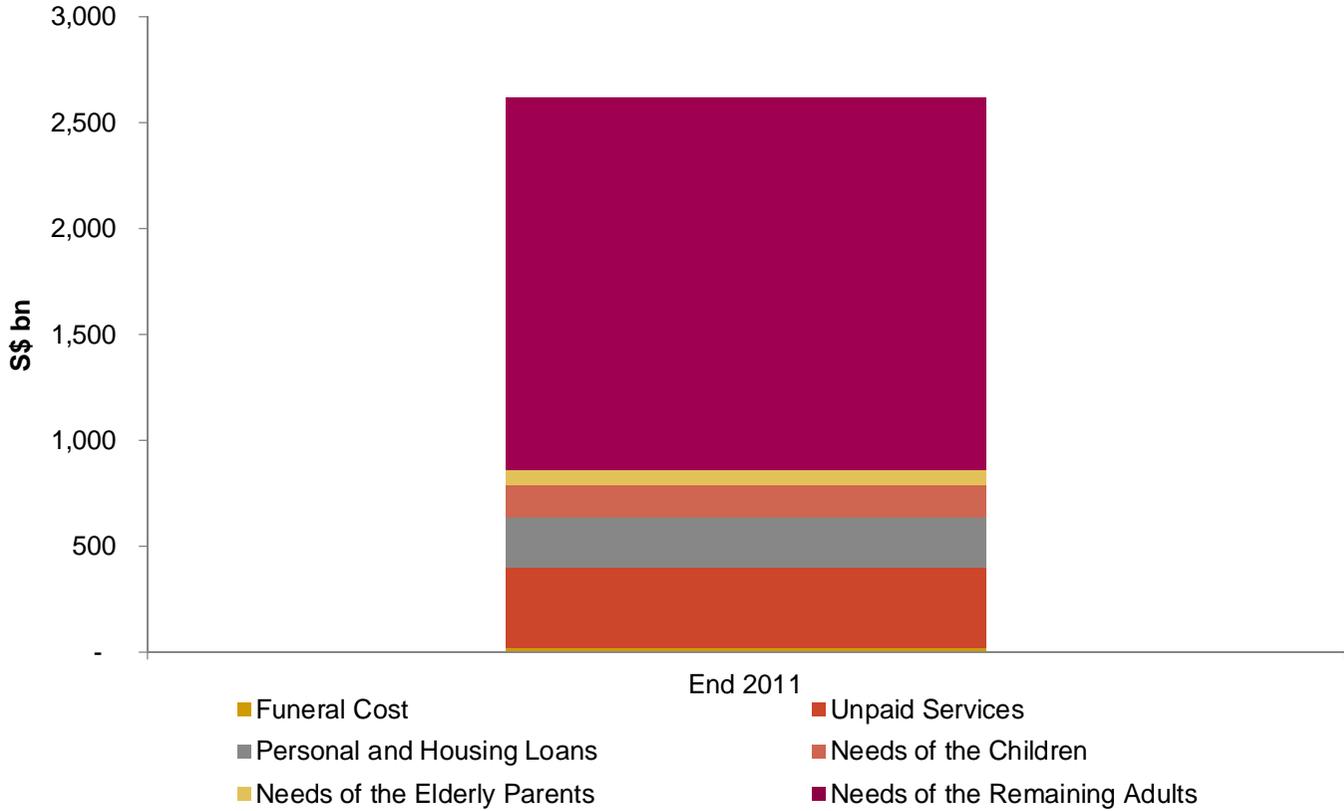
Per economically active adult



What is it?

- Remaining spouses income only.
- Zero for singles

Total Protection Needs before Spouse's Income



- Total number of economically active adults: 1.9 million
- The Needs of the Remaining Adults are by far the most significant need.

CPF Savings & Existing Insurance Coverage

CPF Savings

\$122 billion

For all economically active adults

What is it?

- CPF Savings for those aged 20-69.

Existing Insurance Coverage

\$609 billion

For all economically active adults

What is it?

- Includes private individual insurance, the Home Protection Scheme, and group insurance.
- A high proportion (over 70%) of Singaporeans and Permanent Residents aged 30-49 voluntarily purchased at least one individual insurance policy in addition to Dependants' Protection Scheme

Reliances and Limitations (1)

Reliances

- In producing this report, reliance was placed on, but not limited to the general accuracy and completeness of:
 - The following listed reports as shared by the Life Insurance Association, Singapore (“LIA”):
 - “Underinsurance in Singapore” dated 4 November 2006 by YEE Wah Chin and WU Yuan in a file entitled “1 Underinsurance report 4 Nov 2006.doc”
 - “Consumer Survey on Life Insurance” conducted by Saffron Hill in a file entitled “SaffronHill_Presentation.pps”
 - “Underinsurance in Singapore 2007 Update” by YEE Wah Chin in a file entitled “2007 Protection Gap Report(15 Dec 08).doc” and the associated appendices in a file entitled “Underinsurance report 29 Mar 07.doc”

We have relied on the LIA for having ensured that no previous agreements and Intellectual Property rights have been breached by from sharing with Towers Watson a copy of these reports.

- The life insurance data collected from the industry and the consistency of interpretation of the required data from company to company.
- Data and information, written and verbal, supplied by the LIA via tele-conversations or over email.
- While we have reviewed some of the information provided for overall reasonableness and consistency with our knowledge of the life insurance industry, we have not carried out independent checks of the data and other information supplied to us, nor have we checked all the formulae and calculation used to produce the results. The conclusions set out in this report are dependent on the accuracy and completeness of the information provided to us.
- In preparing this report we have relied on a variety of publicly available reports, documents and press articles. Although we have attempted to review all such information for reasonableness, we have not independently verified all information. Reliance is therefore placed on the accuracy of such information as obtained by us.

Reliances and Limitations (2)

Limitations

- This report and the opinions and conclusions contained herein are for the internal use of the LIA and is not intended for use by any third party (where third parties include member companies who are legally distinct from the LIA) and has been prepared by Towers Watson on an agreed basis to meet the specific purposes of the LIA.

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Reliances and Limitations (3)

- In reviewing this report, the reader recognises that Towers Watson's liability is restricted in respect of the following matters:
 - The future protection gap will vary from the results estimated as shown in the report. The calculated protection gap has been based on certain assumptions and parameters; deviations from the assumptions and parameters used would alter the protection gap results significantly. These assumptions and parameters include those which may be influenced by external factors such as inflation rates, the general economic environment and changes in demographic patterns, government policies and taxation.
 - The protection gap for each of the profiles studied is intended to represent the average protection requirement. The actual protection need and protection gap of an individual is likely to vary depending on the individual's specific circumstances for that profile.