Note

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Income protection gaps – a truly global challenge

For families, the impact of the main earner suffering from critical illness, disability, or even worse, can be devastating. A survey in eleven countries reveals a significant discrepancy between perception and reality, major gaps in awareness and significant variations by region. The good news is that many seem to overestimate the cost of income protection and that employers can contribute to tackle this challenge.

Zurich, June 28, 2016 – Income can be a fragile thing, especially if a household is hit by disability, severe illness or premature death. Zurich conducted research in eleven countries on four continents to find out how aware people are of the risk of losing their income, why and how they seek to protect themselves, and the role of the state and the employer in dealing with this global challenge. For this survey, Zurich worked with the Smith School of Enterprise and the Environment at the University of Oxford.

Underestimating the risks

The research shows a clear knowledge deficit: Overall seven in ten people know little or nothing about how they can protect their income against disability. People seriously underestimate the risk of being unable to work due to illness or disability. Of those surveyed, 42 percent stated that they knew a family that suffered a premature death, and more than half (54 percent) also knew someone who could not work due to a serious illness/disability. However, 38 percent of those surveyed believe that their personal risk is less than 10 percent while it is actually closer to 25 percent.

Income protection varies considerably by country

About a third of respondents have insurance to protect their income in case of illness/disability or premature death. The numbers vary considerably by country. Only 17 percent of Germans, for example, are insured against the financial consequences of disability, while two thirds of respondents in Malaysia and Hong Kong said they had added protection to fill the gap in state welfare.

Little knowledge and little savings

Many know little or nothing about how they can protect their income. In addition, many respondents are in a precarious financial situation. Survey shows that a significant proportion of the working population, one in five, could survive less than a month without their income. The majority, three in five, said that their savings would last less than six months. This percentage is even higher in Brazil, Australia, the United States, Switzerland and the United Kingdom.

Gary Shaughnessy, CEO Global Life and designated CEO Europe, Middle East and Africa at Zurich, said: "Raising awareness of the income protection gap is vital. Only when people understand the risk will they take measures to protect themselves and their loved ones from the financial impact of becoming unable to work. As a global insurer we have a responsibility and an important role to play in increasing awareness and helping society reduce income protection gaps. Consumers, insurers, employers and the state all need to work together to find solutions to mitigate these risks. Concerted action offers the best chance of success."

People overestimate the cost of income protection

Further education is needed. When asked what would encourage them to buy insurance, almost half of the respondents said more information, while an even greater number said lower premiums. Many seem to have an exaggerated idea of the cost of such cover. A third of respondents said they would be willing to spend between five and nine percent of their income for it. In fact, such protection can be bought for significantly less than five percent of income.

Six in ten preferred benefit packages to higher wages

Only 13 percent of the respondents in this survey have been offered income protection by their employer, while six in ten would prefer a benefits package that includes income protection to higher pay. That suggests that there is room for employers to use benefit packages including income and life protection to attract and retain talent in today's competitive skills market, while also helping to close the protection gaps.

Further information

Zurich's Income Protection Gap Survey was carried out by Epiphany Research Based Consultancy in March and April 2016. The survey is based on a nationally representative sample of consumers aged 25 to 60 in Australia, Brazil, Germany, Hong Kong, Italy, Malaysia, Mexico, Spain, Switzerland, the United Kingdom and the United States. Approximately 1,000 respondents per country completed an online survey consisting of 57 questions.

Zurich will continue to do research into the income protection gaps and will publish further findings later this year.

Supporting materials can be found here on our website:

- **Brochure: Income protection gaps: challenge and opportunity** with more detailed survey findings per country
- **Video with Gary Shaughnessy, CEO Global Life**

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