

Why income protection matters – for people, businesses and society as a whole

Loss of income due to disability can cause great economic and personal hardship. Zurich, together with the Smith School of Enterprise and Environment at Oxford University, have published a report that sheds new light on income protection. There is untapped demand, but cost misconceptions pose a barrier. Personal experience is the biggest driver of demand.

Zurich, October 25, 2016 – Failure to protect income in the event of disability or illness poses a significant challenge, according to a report published by Zurich Insurance Group (Zurich), together with the Smith School of Enterprise and Environment at Oxford University (SSEE). For families, the impact of illness or disability on income can be devastating. But not only individuals and households suffer. Income protection ‘gaps’ can also profoundly affect businesses and society as a whole, undermining productivity and eroding social ties. The need for such protection is acute and rising. Demand for government support – the traditional source of relief – is outpacing supply. At the same time, disability levels are rising due to an aging population and tighter labor markets.

New insights thanks to a multinational in-depth study

To better understand people’s attitudes toward income protection, Zurich, together with the SSEE, conducted research in eleven countries. This year’s survey was focused on the demand side. Why do some people protect their income while others don’t?

Experience trumps knowledge

One of the most important and surprising findings of the survey was that having first-hand experience of income loss, or knowing someone who suffered from such experience, was one of the most significant factors influencing demand. Experience trumps knowledge of insurance. Moreover, this holds true across all income levels.

Misconceptions about the cost of income protection

Another important finding was that there is significant untapped demand. Just over half of respondents without insurance say that they would be willing to consider buying it. The main reason people cited for not having income protection insurance was conceived high cost. But this often is a misconception. On average, people were remarkably consistent in saying they would be willing to pay around 5 percent of their income for such insurance. This is considerably higher than the average cost of income protection insurance.

Kristof Terryn, Group Chief Operating Officer at Zurich, said: “The public and private sector must work together to close income protection gaps. The two most important barriers to income protection are workers’ limited understanding of the products and misconception about price of protection. We need new and innovative approaches to insurance that are simple and easy to understand for everyone ”

One interesting fact for employers: six in 10 respondents would prefer a benefits package that includes income protection to higher pay. That suggests 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 protection gaps.

Men and full-time workers are more likely to be insured

Roughly one-third of the respondents have income protection. Men are more likely than women to have income protection overall. Gender gaps existed in about half of the countries surveyed, particularly those where overall demand for insurance was lower. But household status is more important than gender: sole or primary wage earners are more likely than secondary earners to have insurance.

Full-time workers are more likely to be insured. The rise of short-term, contract, and part-time employment and a corresponding decline in the availability of permanent positions leaves an increasing number of workers exposed.

What is the income protection gap?

An income protection gap is defined as the reduction in household income as a consequence of the incapacitation or death of an adult wage earner on whom that household relies. Loss of earned income due to death or disability can cause financial hardship. It often forces families to tap into their pension savings, which raises the possibility of running out of money in later life.

Supporting materials

- [Report](#) 'Understanding income protection gaps: awareness, behavior, choices' summarizes the key findings and is available in English
- [Executive summary](#) of the report
- [Video](#) with Kristof Terryn, Group Chief Operating Officer at Zurich

Further information

Zurich and SSEE have committed to a long-term project on the issue of income protection gaps. The SSEE is a leading interdisciplinary academic hub which works with social enterprises, governments and corporations.

The report, 'Understanding income protection gaps: awareness, behavior, choices,' seeks to understand income protection gaps from the demand side – people's individual decisions on whether or not to protect income.

It contains the findings of a survey done 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 Insurance Group (Zurich) is a leading multi-line insurer that serves its customers in global and local markets. With about 55,000 employees, it provides a wide range of general insurance and life insurance products and services. Zurich's customers include individuals, small businesses, and mid-sized and large companies, including multinational corporations, in more than 170 countries. The Group is headquartered in Zurich, Switzerland, where it was founded in 1872. The holding company, Zurich Insurance Group Ltd (ZURN), is listed on the SIX Swiss Exchange and has a level I American Depositary Receipt (ZURVY) program, which is traded over-the-counter on OTCQX. Further information about Zurich is available at www.zurich.com.

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