

Can we prevent financial hardship as populations age, working lives change?

A new study describes how governments, employers, insurers, intermediaries and individuals can work together to close income protection gaps. Public and private partnerships can play a crucial role, and financial education is key to securing personal financial security.

Zurich, October 12, 2017 – Zurich Insurance Group (Zurich), in collaboration with the Smith School of Enterprise and the Environment at the University of Oxford, published today a new report, [‘Embracing the income protection gaps challenge: options and solutions’](#). The study, based on extensive research, outlines practical recommendations to address critical issues and gives insights into how governments, employers, insurers, intermediaries and individuals can work together to close income protection gaps (IPGs).

Zurich’s research and the study based on it describe how public and private partnerships between governments, companies and insurers can play a crucial role in helping to ease this burden and close IPGs. Financial education is key to securing personal financial security.

There is an urgent need for solutions. As life expectancy increases, extending one’s working lifetime can provide financial rewards. Yet more years working also puts individuals at increased risk of becoming disabled during their career. Chronic sickness, injuries or other conditions can prevent or impair a wage earner’s capability. With state resources constrained, and a growing number of people working part-time and temporary jobs, people are increasingly at risk. An IPG could seriously deplete household budgets, savings and retirement accounts. The burden of guaranteeing long-term financial security is simply too great for many individuals to bear.

Gary Shaughnessy, CEO Europe, Middle East & Africa, and Member of the Zurich Insurance Group's Executive Committee said: "Our research shows that a combination of several factors is putting people increasingly at risk of not having financial security as they age. Unfortunately this comes at a time when governments in developed nations are generally spending less on welfare benefits in response to the increasing cost of an ageing population. This presents a real challenge to society. We all need to act to foster and implement the identified solutions."

Solutions include finding a balance between responsibilities assumed by governments, employers, insurers – and other financial institutions like intermediaries – and individuals in protecting household income. Key recommendations include:

- **For insurers:** Develop basic insurance products to be introduced via employers under auto-enrollment (in legally approved local jurisdictions), with additional features available for individuals wishing to purchase them.
- **For employers:** Enroll the workforce in contribution-based income protection insurance schemes (with an opt-out clause) as part of their employment contracts. Provide employees with ongoing financial education and training, including the use of digital tools.
- **For governments:** regulate and certify (or trademark) approved IPG insurance products and use fiscal incentives to encourage compliance. Extend obligations to information technology (IT)-based platforms and agency workers. Tackling IPGs should also be considered a key principle of the European Pillar of Social Rights.
- **For the individuals:** personal experience of IPGs is a bigger factor influencing demand than financial literacy. This may upend a number of assumptions about the effectiveness of financial education and literacy campaigns. Cost perceptions pose a barrier – but most people believe income protection insurance costs are higher than is likely to be the case. The rise of the 'sharing' economy is putting more individuals at risk, and older workers are more likely to lack protection.

- For **insurance distributors and intermediaries**: agents, brokers, banks, employee benefits consultants and others have important functions, not just linking supply and demand but importantly advising and educating customers (whether employers or individuals) and feeding market and customer requirements back to insurers.

The research report gives global recommendations for filling the IPGs and provides [insights and solution for 12 countries](#) – Australia, Brazil, Germany, Hong Kong, Italy, Malaysia, Mexico, Spain, Switzerland, UAE, the U.S. and UK.

Further information

[The first phase](#) of the project, released in 2015, addressed themes such as how income is protected. That study explained what income protection gaps are, and why they are widening, as well as how serious the consequences of these might be for households, employers and governments. This research demonstrated that income protection gaps are an issue that cannot be measured or solved globally. Local characteristics require local solutions but broad regional trends can also be observed. [The second study](#), published in 2016, looked at institutional and behavioral factors influencing demand for income protection. The analysis was based on a survey conducted early in 2016 of over 13,500 respondents in 12 countries to better understand IPGs from the demand side – the behavioral and institutional factors, like financial awareness and behavior, influencing individuals' decisions on whether or how to protect their household income. The third phase of the project, which includes the latest study, investigates potential avenues for how the public and private sectors could work together to close IPGs.

Supporting materials

- The full research report '[Embracing the income protection gaps challenge: options and solutions, 2017](#)'
- [Video featuring Gary Shaughnessy](#), CEO EMEA at Zurich
- [Insights and solution for closing IPGs in 12 countries](#) – Australia, Brazil, Germany, Hong Kong, Italy, Malaysia, Mexico, Spain, Switzerland, UAE, the U.S. and UK

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Contact

Zurich Insurance Group Ltd
Austrasse 46, 8045 Zurich, Switzerland

www.zurich.com

SIX Swiss Exchange/SMI: ZURN, Valor: 001107539

Media Relations

Pavel Osipyants, Riccardo Moretto, Frank Keidel

phone +41 (0)44 625 21 00

twitter [@Zurich](https://twitter.com/Zurich)

media@zurich.com