

# Perception on Protection Gaps



## Definition of protection gap by insurance covers

Protection gaps generally refer to the difference between risk exposure and risk protection. However, the exact definition varies across different risks. It should be noted that the perceived protection gap as revealed in this Consumer Survey is only based on the subjective judgement of individual respondents, and a formal definition was not provided to the respondents for the survey.

### Protection gaps - Definitions

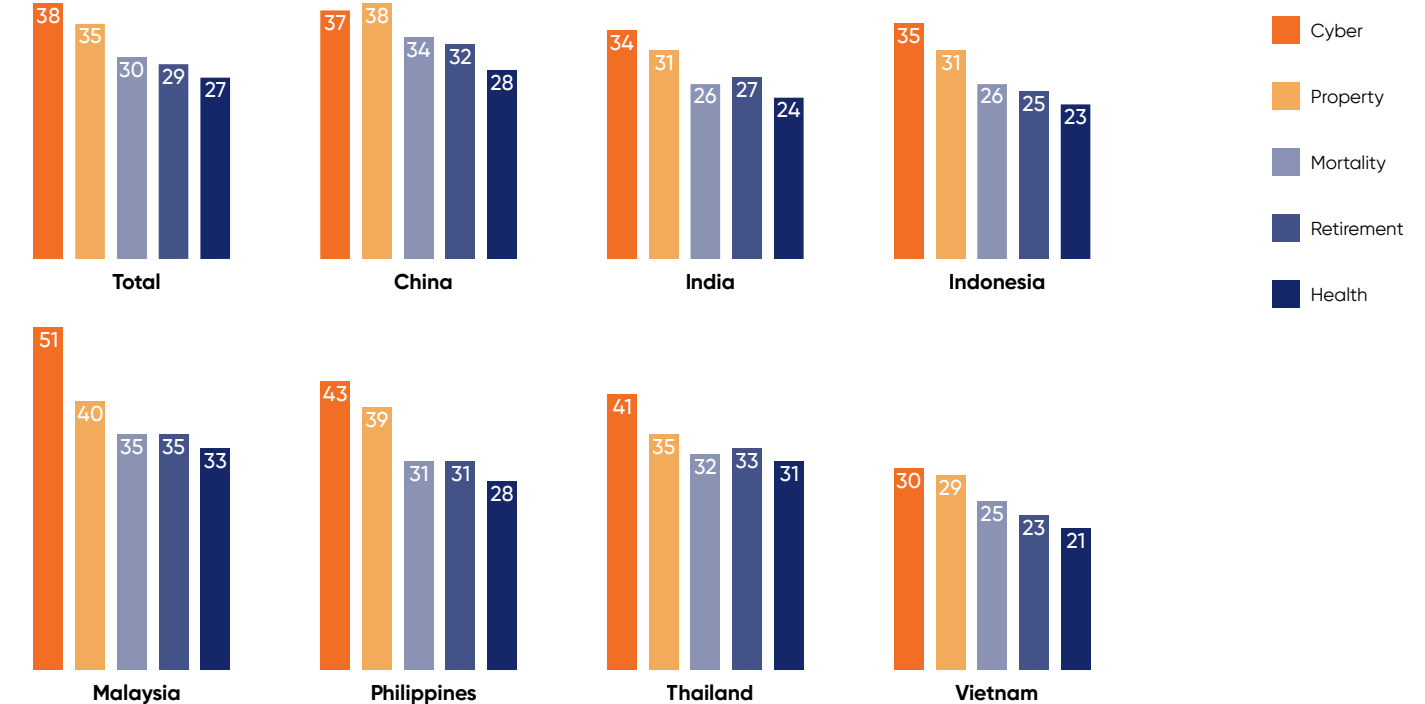
<b>Cyber</b>	This refers to the difference between the economic losses caused by cyber incidents and the amount recovered by cyber insurance.
<b>Property</b>	Typically defined as the difference between total economic losses and insured losses over a period of time, covering loss events that passed certain minimum thresholds.
<b>Mortality</b>	The so-called mortality protection gap usually refers to the difference between a) the financial needs of the surviving family members upon the death of the household breadwinner, and b) available financial resources including savings and investment but typically excluding the live-in property.
<b>Retirement</b>	This means the shortfall between a) the financial resources individuals would need to maintain a reasonable retirement living standard and b) the actual resources that are available through savings and pension schemes.
<b>Health</b>	The health protection gap refers to the amount of financial stress households are facing in relation to health and medical expenditures. This typically comprises of a) direct out-of-pocket medical expenses and b) unaffordable medical expenses avoided by households.

## Perception on various protection gaps demonstrates a level of optimism, resulting in small to modest perceived protection gaps across health, retirement, mortality, property and cyber

Perceived protection gap is the widest in cyber and property protection, and smallest in health and retirement.

Average perceived gap is the widest in Malaysia and smallest in Vietnam.

### Perceived protection gap (%)



# Consumer's perception of protection gaps is significantly lower than estimated ones

Middle-class consumers perceived the average protection gap being between 27% and 38%. Although the perceived protection gaps are lower than insurance industry estimates, the discrepancies between the two measures are notably larger for Cyber and Property—approximately 58%—compared to around 40% for Life and Health.

Consumers appear to have a better understanding of their insurance needs for life and health products. In contrast, their assessment of cyber and natural catastrophe risk exposure falls far behind industry estimates of protection gaps—likely due to limited awareness of the potential impacts. This presents an opportunity for insurers seeking to close these gaps. A critical first step is to educate consumers to enable a more informed evaluation of their coverage needs in these areas.

## Comparison between perceived and estimated protection gaps:

	Perceived protection gap from consumers	Estimated insurance protection gap (2024)*
<b>Cyber</b>	<b>38%</b>	<b>94% for APAC</b>
<b>Property</b>	<b>35%</b>	<b>95% for APAC 95% for Emerging Asia</b>
<b>Mortality</b>	<b>30%</b>	<b>72% for Emerging Asia</b>
<b>Retirement</b>	<b>29%</b>	<b>N/A**</b>
<b>Health</b>	<b>27%</b>	<b>64% for Emerging Asia</b>

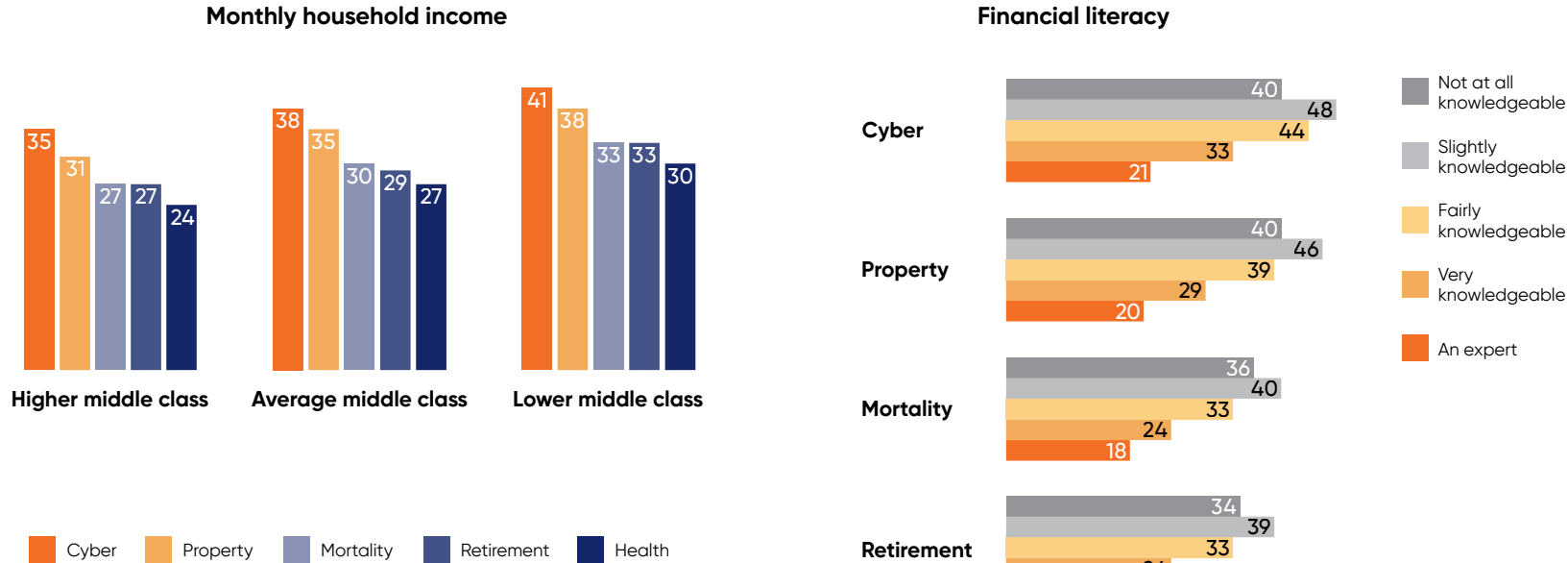
\*Sources: AON, Swiss Re

\*\*Retirement protection gap is difficult to measure from an insurance perspective, as a large number of products cover retirement financial needs

# The perceived protection gap varies by income level and financial literacy

The perceived protection gap is higher among lower-income families and those with lower levels of financial literacy.

## Average perceived protection gap among different segments (%)



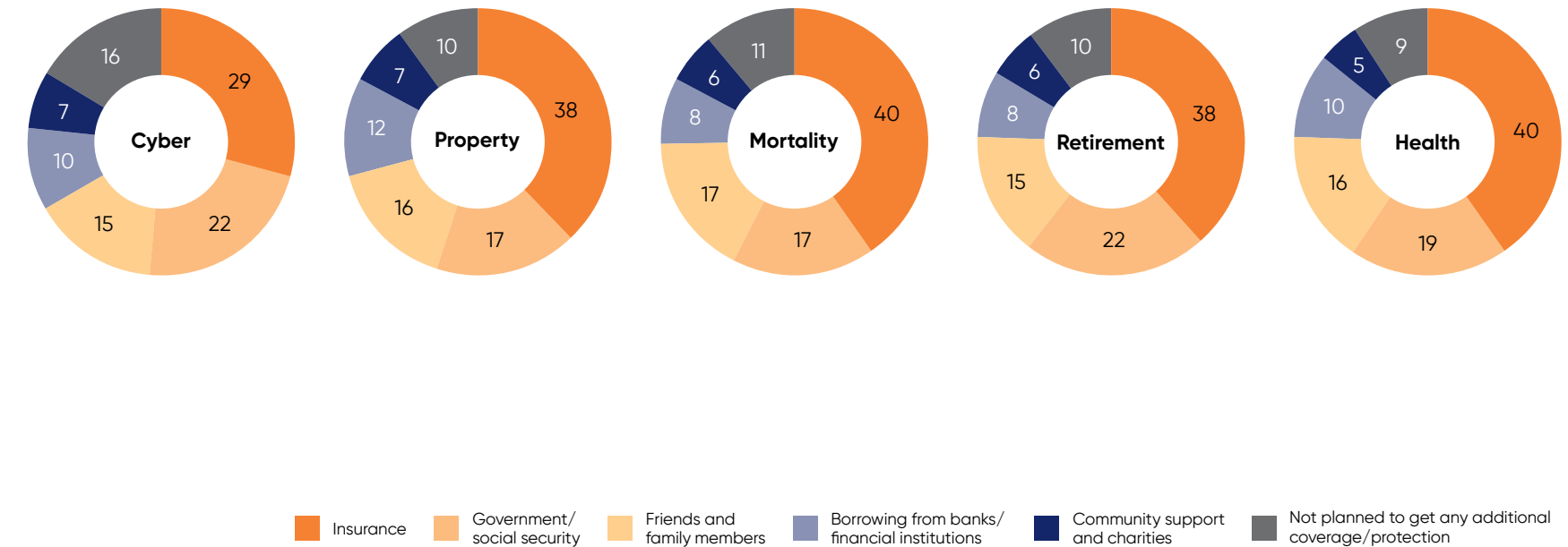
B3. Please indicate for each, considering your and your family's financial resources, how well you feel you are prepared or protected against the financial consequences of each. | Base: Higher middle class (n=2,747), Average middle class (n=2,629), Lower middle class (n=2,719), Not at all knowledgeable (n=320), Slightly knowledgeable (n=1,583), Fairly knowledgeable (n=2,870), Very knowledgeable (n=2,410), An expert (n=912), Those who feel economy has improved (n=5,203), Those who feel economy stayed the same (n=1,802), Those who feel economy has worsened (n=1,045)



## Insurance is seen as the leading source of support to cover protection gaps, followed by government/social security

While insurance is the most cited source for covering protection gaps, around 10% of consumers did not plan for any additional coverage. Cyber protection stands out - a higher percentage of consumers expect to remain uncovered for losses, and rely less on insurance for support.

### Where to obtain additional support to cover various protection gaps (%)



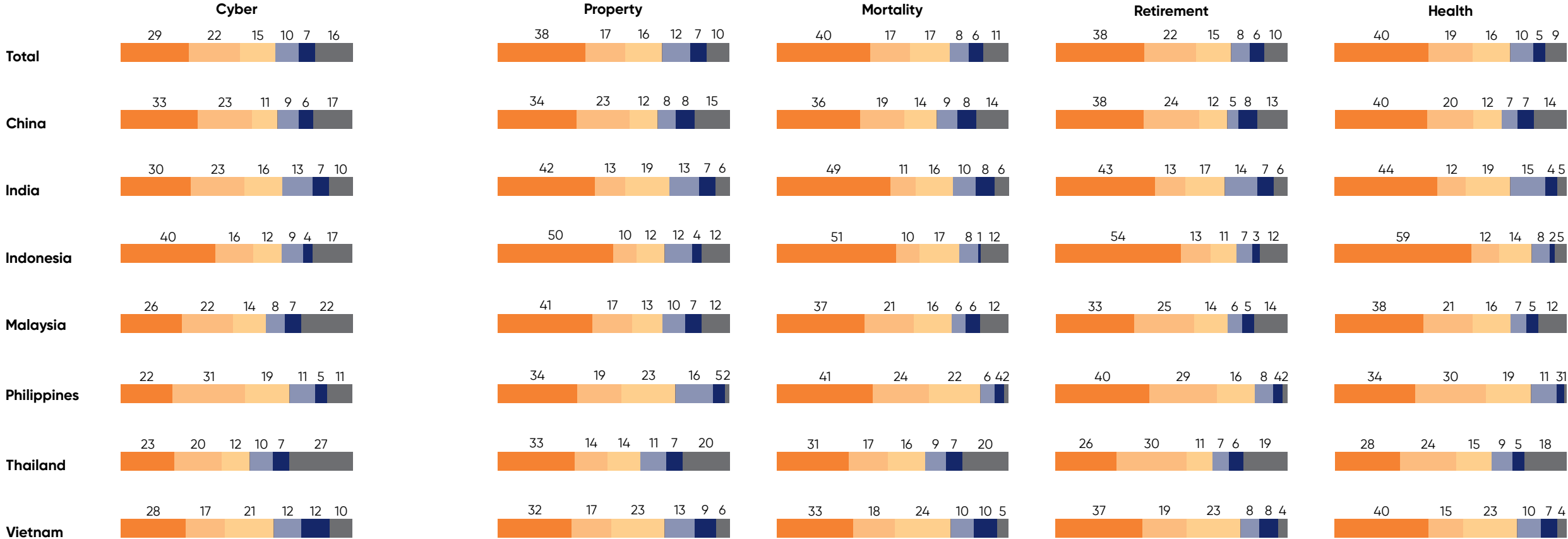
B4a. Where do you plan to obtain additional support to cover the gap in health and medical expenses? | B4b. Where do you plan to obtain additional support to cover the gap in the event of death of the income earner? | B4c. Where do you plan to obtain additional support to cover the gap in the event of a large loss from home and property damages. | B4d. Where do you plan to obtain additional support to cover the gap in the event of a large loss from digital and cyberattacks? | B4e. Where do you plan to obtain additional support to close the gap in your retirement and long-term care needs? | Base: All respondents

# Across markets, insurance remains the primary source for covering protection gaps, while government and social security play a more prominent role in the Philippines, Thailand and Malaysia

There are some notable market-specific observations: For health and medical expenses, death of an income earner, and retirement/long-term needs, insurance is seen as the primary form of support across markets, most so in Indonesia and India.

In the Philippines, government/social security is perceived to play a major role in covering different protection gaps.

In Thailand, government/social security is primarily sought for retirement and long-term needs, while a significant proportion (27%) of people do not expect any coverage for digital and cyber risks.



Insurance | Government/social security | Friends and family members | Borrowing from banks/financial institutions | Community support and charities | Not planned to get any additional coverage/protection

B4a. Where do you plan to obtain additional support to cover the gap in health and medical expenses? | B4b. Where do you plan to obtain additional support to cover the gap in the event of death of the income earner? | B4c. Where do you plan to obtain additional support to cover the gap in the event of a large loss from home and property damages. | B4d. Where do you plan to obtain additional support to cover the gap in the event of a large loss from digital and cyberattacks? | B4e. Where do you plan to obtain additional support to close the gap in your retirement and long-term care needs? | Base: All respondents