

Mortality Protection Gap Study 2021

Synopsis



Size of overall
protection gap
HKD 6.9 trillion

- The fundamental purpose of life insurance is to protect policyholders against mortality risk (premature death of the breadwinner) which could make households very vulnerable to financial hardship, so it is worth attention.

Average size of
protection gap
HKD 1.9 million
* per economically active
adult

- In this report, Mortality Protection Gap (“MPG”) in Hong Kong is examined. MPG refers to the difference between the actual protection needs and financial resources available. The larger the mortality protection gap, the more dependent(s) would be unable to maintain the same living standard using the financial resources on hand.

Average size of
protection gap
5.7 times
of annual income
* weighted average per
economically active adult

- Hong Kong life insurance market is well developed, the 11th largest life insurance market (in terms of total premium size) in the world. Nevertheless, Hong Kong is not immune to the global MPG phenomenon. In 2019, the overall size of MPG in Hong Kong was around HKD 6.9 trillion, which translates to about HKD 1.9 million or 5.7 times weighted average annual income per economically active adult.
- Ignorance about the MPG could have a devastating impact on dependents, given that family savings can be quickly depleted upon a breadwinner's premature death. An even greater financial burden would result when coupled with the anticipated increase in longevity as well as rise of medical and education costs.
- The MPG varies with each individual due to an array of factors, such as their demographics, income, and dependents. In addition, lifetime events, particularly marriage, parenthood and property ownership, along with career paths, affect protection needs of individuals. The understanding of high correlation between life planning and protection needs is important.
- The very existence of the MPG reflects the common problem of underinsurance (of mortality risk) amongst typical working individuals in Hong Kong. Policyholders should, therefore, make it a top priority to use appropriate life insurance products (in terms of both features and budget) to secure sufficient coverage to close the MPG. In addition, smart policyholders should regularly review and adjust their insurance portfolios in order to achieve better protection for themselves and their families.



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