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Just four things to remember about your insurance programme

Many people feel that you need to have a whole barrage of insurance policies to achieve total protection. While more may sometimes be better, there are only four things to remember when it comes to your insurance planning.

Doing all you can to shelter your family and yourself from financial hardship is very important. Once you have set aside an emergency fund of three to six months of living expenses, you should be seriously thinking of taking care of *four* protection needs: Death, Medical, Critical Illness and Disability – four cornerstones of insuring “You”, which is your greatest asset. I believe that you should be buying as little insurance as you need. But for most people, these protection needs are quite a lot. Let me elaborate a little on the *four* cornerstones I have just mentioned.

- i. *Death* cover provides a pool of funds to your dependents in the event of your untimely death, to make sure that the family that you so painstaking work for do not tumble when you are gone, and that they can continue to live life as normally as they previously did. Nothing can compensate the death of a loved one, but if the financial aspect is well taken care of, it makes things a little more bearable.
- ii. *Medical* cover ensures that a significant part of your medical bills are taken care of in the event of an accident or a severe illness. Some would suggest that they don't need any medical insurance because they are rich enough to pay for their medical bills. In fact, many may be rich enough to pay but not liquid enough. One of the most stressful things when you are sick is deciding which assets you have to liquidate to pay the medical bills. Medical cost is one thing that inflates more rapidly than inflation itself. And given that the Singapore government aims to reduce health subsidy in the upcoming years, medical cover becomes even more crucial.
- iii. *Critical illness* cover pays a lump sum when you are diagnosed with one of 30 specific diseases such as invasive cancers. Some people believe that a critical illness cover is unnecessary if income replacement and medical needs are fully provided for. However, the fact is that the medical insurance of most Singaporeans – who rely mainly on CPF-approved shield plans and their employer's group insurance schemes – is insufficient to take care of all expenditure in the event of a major illness. The hospital and surgical (H&S) plans reimburse mainly only for “in-hospital” expenses and perhaps some related chemotherapy costs for cancer treatment and kidney dialysis costs. A cancer patient is usually not warded in a hospital unless surgery is needed or life support is required towards the terminal stage of the illness. Most of the medical expenses incurred on specialist consultation and specialised cancer drugs cannot be claimed in H&S plans. Moreover, for working adults, the income lost due to time away from work while undergoing treatment and rehabilitation will not be compensated. Hence, critical illness cover will remain an indispensable part of the insurance portfolio for many.

- iv. *Disability* cover is an often ignored protection that most people should be seriously considering. The whole idea is to insure your earning ability, which is one's greatest asset. What we are telling you is NOT that you should insure the "golden goose" that lays the golden eggs; neither should we attempt to insure the "golden eggs". But what we should be insuring is the "golden goose's *ability* to lay golden eggs". Most insurance plans only pay out when the golden goose drops dead or is critically ill, but this is not enough. What if the golden goose is partially disabled? For example, almost no insurance plan would pay a teacher if she loses her voice and have to quit because she can no longer teach. Similarly, no insurance plan would pay a pilot if he is grounded because his diabetic condition affects his eye sight. But, a properly designed disability income program would ensure a monthly income payout if you cannot perform your primary occupation because of an injury, accident or any illness (this need NOT be one of the 30 major illnesses).