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PERSONAL FINANCE

PROTECTING YOUR ASSETS

If you own a home and a car you probably consider these assets too valuable to lose so you take out appropriate insurance cover. Yet your most important asset is YOU. It is very possible that you have not considered the consequences of failing to insure your most important asset. You may well live a healthy and active life and die in your sleep at 95. But what happens if you don't? The following are some of the areas you might want to check out:

Medical insurance

In European countries medical care is basically free, although it is funded of course by various forms of taxation. Even there the quality of care is falling due to mushrooming costs and ageing populations. In Indonesia if you have no cash or insurance your access to medical care is virtually closed, unless you are very poor and have authorization to use a very basic medical facility. This avenue is not open to expatriates. For them a return to the home country might be a solution but in the case of a serious illness or accident requiring evacuation, without at least \$25,000 in cash or on their credit card, that special plane will not be taking off! For everyone who can afford it, medical insurance is a must.

Critical Illness Insurance

While medical insurance may cover your hospital bills it does not cover loss of earnings or other needs if your illness is a critical one. You may not even be able to work again after such an illness. This is where critical illness insurance comes in. The illnesses that count as critical are clearly defined in insurance policies. There are perhaps 30 or more but the vast majority of claims come under the heading of heart disease, stroke or cancer. Many of these are curable, but the insurance will still pay out after diagnosis. The resulting lump sum can ensure at least a comfortable transition back to good health without financial concerns.

Life insurance

As with writing a will, no-one likes to think of dying, so taking out insurance against it tends to be put off. But if you have a family that depends on you for a living it is vitally important to put adequate cover in place so that your spouse is fully provided for and any children have adequate funds to see them right through their education. How much life cover should you have? Most people underestimate their own worth and underinsure. Every case is different but a half to a million US Dollars or equivalent would not be out of place in the case of a young professional with a family.

When should you take out cover?

As soon as you can afford it and before you have a problem and need to make a claim! I can recall several instances over the years of people urgently requesting quotes for life and critical illness cover and then suffering heart attacks or being diagnosed with cancer shortly after. But by then it was too late. An insurance claim will be denied if there is evidence of a pre-existing condition – even if the person is unaware of it! Insurance companies are not charities; they want to cover people who are low risk. There was an infamous case in Jakarta some years back when a local court forced a major international insurer into bankruptcy for declining to pay out due to a pre-existing condition. The court decision was reversed only after high-level diplomatic intervention.

Life and critical illness insurance is relatively cheap if you are close to 30. At 50 it becomes expensive and beyond 60 almost certainly unaffordable. If you are a smoker expect to pay 50% to 100% more! Must be a message there.

What if you cannot afford or cannot obtain insurance?

Should you find life or critical illness insurance is too expensive when you are older, or if cover is refused on medical grounds the only alternative is to start allocating as much as you can to savings so that you and your dependents have access to funds if and when needed. In the case of medical insurance the premiums become so high in advancing years that it may be better to self-insure by building up a large cash account specifically for that purpose. Foreigners retiring to Bali for example are faced with this dilemma. Many believe they can live cheaply in old age in Bali but the cost of healthcare can play havoc with calculations.

A few final points

When you make an insurance application, be sure to answer all the questions fully and accurately. Any inaccuracy or omission can be grounds for a claim to be refused. And while the emphasis in this article has been on personal insurance, don't overlook cover for your home and car. Indeed, it can cost quite a bit of money to insure against all risks, but that is the cost of peace of mind. A price worth paying!

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