

N.B The below is an excerpt of an article which appeared in Money Management Magazine. For the full article please refer to Money Management Magazine July 27, 2006.

Risking underinsurance

Family breadwinners are not the only ones who need risk insurance. SUE LAING offers a cautionary tale.



Last year, after 18 months of treatment for cancer and subsequently entering remission, Lisa chose to open up publicly about her illness and its effects on her life and the lives of those around her.

Unlike most shared stories we tend to hear in the insurance arena, this is not about the wonderful job that her insurance cover did for her. It is about what happened to one of the many people who had no insurance to help them when they needed it most.

Lisa's story is told by way of an interview with Brant Dillon. Brant runs a specialist life risk insurance licensee business and was the co-developer of the real dots web-based risk insurance software solution. He accompanies Lisa at conference presentations in the role of the industry message-bearer.

Brant: Lisa, how did things unfold for you after you received the diagnosis?

Lisa: I was one of the statistics; the one in four people who'll be diagnosed in their lifetime with some form of cancer. I consider myself to be part of your typical Australian family: two young school-aged children; two working parents; and a mortgage.

The diagnosis was to say the very least, life altering. It had a profound effect on my life and my family.

One day I was a busy mum, juggling a part-time professional career with children's schooling, sporting and numerous other commitments.

The next day, it all screamed to a halt.

Nothing is the same

My new reality was a series of medical appointments, operations, hospital visits and procedures. I was told that the prognosis for cancer is in many cases good if

it's caught early, but there would be a long road of treatment and recovery.

Lisa Backhouse

I would need surgery, chemotherapy and radiotherapy; an aggressive and punishing regime that would take the best part of a year. We quickly realised that, as a family, we were grossly ill prepared for such a life altering event. The night of my diagnosis, I recall wondering aloud to my husband, how we were ever going to cope.

We wanted to maintain as much of the children's routines and lifestyle as possible. Watching their mother suffering would be trauma enough.

Who was going to take them to school and pick them up? How would we shop for groceries and maintain the house-keeping? Who could do the washing and the ironing? How would we manage paying the bills and organising the finances?

How could we even afford the mounting medical costs and still pay for family help, especially with a reduced overall income?

Worry about me? Or worry about the practical things?

These were all issues we were forced to struggle with, at a time when we were fighting for my very survival.

As it turned out, the chemotherapy lived up to its reputation. I was very ill and spent many days on the couch, unable to do anything.

I'll never forget having to drag myself into a standing position when my children were being taken to school by a caring friend, determined for them to see me up and waving them goodbye. I'd then repeat the ritual when I heard the car return at the end of the day. If mum was up everything was okay.

They didn't notice I was leaning heavily on the kitchen bench.

The wake-up you never want to have

When you receive a diagnosis such as this, it really does change your whole outlook on life; your personal and family goals have to be completely redefined.

You actually snap things into perspective pretty quickly. You realise that it is your quality of life that is ultimately important.

These life threatening events do happen. It is simply a matter of to whom, and when. I have seen a number of people go through similar events and all have been faced with serious lifestyle maintenance issues.

Fortunately, I have a wonderful network of friends and family who helped fill the void and I had significant leave entitlements at my workplace. I know that not everyone has these options.

Brant: No, unfortunately, that's right Lisa. And that's what happens under these circumstances. Firstly, people use their savings, then their borrowings, then they rely on family and friends, and lastly they sell their assets and look for charity. Most people when faced with these situations find themselves with inadequate insurance cover. Do you have any insights why that is?

Lisa: Since my experience I have actually spoken with many of my friends

and colleagues about their level of insurance cover and whether they realise how important it is.

My theory is: I think insurance is something we don't like to think about too much. The reasons we might need cover are quite distressing so it doesn't pay to linger on it for too long.

The wrong perceptions about insurance

There's also a perception it's expensive and we probably won't need it anyway. You know, these things always happen to someone else.

I also think there is a general lack of awareness about the insurance options available. For example, I had little knowledge of trauma insurance and how it could benefit me and my family if I had a life threatening event. Few of my peers were convinced of its importance, until they saw my situation.

There is still a belief in the community that insurance salesmen will flog them anything if they can make a buck. And finally, there's only so far the family budget can stretch. People generally prioritise their insurances, starting with house, then contents, then the car and lastly life insurance. make sure their clients understand the real cost and value of trauma insurance. Brant: That's why it's important for financial planning professionals to make sure their clients understand the real value of trauma insurance.

You mentioned a lack of awareness of products available, particularly trauma insurance?

Advisers must sell the message

Lisa: Yes, look, I was vaguely aware such a product existed. In fact, we had a financial planner assess our requirements a few years back, but because my husband was the primary breadwinner, the attention was focused on him.

From memory, it wasn't considered an important option for me at the time. Consequently, I didn't realise my value as the primary caregiver in the family and the secondary wage earner.

I honestly didn't stop to think about what would happen if I was taken out of the picture for any reason, in any way that didn't involve a life insurance claim. And I know that many of my peers have not considered it either. Especially at 35 years of age, in the prime of your life, with no previous illness or family history, you just don't think it's going to happen to you.

I wish someone had pointed out to me just how valuable trauma insurance could have been in my situation.

The price of underinsurance.

Brant: Well what sort of impact would trauma insurance have had on your situation?

Surely any woman with responsibility for children must be worth at least a quarter of a million dollars ... one would think?

Lisa: Well of course, we're all priceless, Brant! But seriously, it would have had a huge impact

Firstly, it would have relieved any immediate concerns about how we were going to manage during my treatment. It would have provided for a house-keeper, a nanny and anything else needed to help maintain our lives while I was ill.

When you're fighting for your life, the last thing you need is extra stress! It would have helped pay for the medical costs, both conventional and complementary.

But most importantly, it would have given us choices. Would my husband have liked to have taken a year off work to look after the children? Would I have liked more time off work after my treatment to recover? Would I have liked to have spent part of my recovery on a tropical island?

It also would have would have afforded peace of mind about the future. Knowing the children's education costs were covered if I decided not to return to work would have been a bonus.