

The pitfalls of choosing not to buy insurance

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Howard Rocket bought disability insurance when he started practising as a dentist in 1972.

But he let his policy lapse in 1986, when he left dentistry to start a public company, Tridont Health Care Inc.

"I was drawing about \$30,000 a month from the business," he says. "So why did I need insurance? I had money and I could self-insure."

Tridont went bust in 1990, but Rocket kept a career as an entrepreneur. In 1995, while playing touch football with friends, he fell and landed on his neck.

Six weeks later, he had a massive stroke. He was in rehabilitation for years and still hasn't completely recovered.

"I paid about \$1 million in hard costs – things like wheelchairs, canes, drivers, physiotherapy, occupational therapy, massage, chiropractic therapy and acupuncture," he says.

Now working as a public speaker, he figures he gave up more than \$1 million in income after his stroke.

If he hadn't decided to self-insure, he could have bought a \$2 million critical illness policy that would have covered his costs without having to dig into his own pocket.

"Would you like to lose \$2 million? When I use that figure in my talks, everyone gets upset," he says.

"To me, self-insurance is net-worth reduction. And insurance is net-worth protection."

Some people self-insure because they fear mortality and hate insurance companies.

"The only thing worse than death is to spend the night with an insurance salesman," says Mark Halpern, a certified financial planner specializing in life and health insurance. (He's quoting writer/comedian Woody Allen.)

In his business, IllnessProtection.com, Halpern tries to "crash test the lives of busy and successful people, showing what happens if they're killed, maimed, retired or put into a nursing home."

Insurance is not a panacea, since companies may delay or not pay claims. (Halpern is now fighting to get a life insurance claim paid for a man who died in his mid-30s.)

Remember that an insurance company has an adversarial relationship with you, the insured client. The company tries to keep costs down and return profits to shareholders. Meanwhile, you try to get the highest amount possible to cover your losses.

Dealing with an insurance company requires vigilance and vigour. You will need documents, records, proof, appraisals and evidence from independent experts.

Since I started this insurance series in April, I have been hearing from accident victims about battles to get compensation. I have put some of their letters on my blog at www.ellenroseman.com.

The mother of a 17-year-old boy killed by a drunk driver in 1994 says, "Your insurance company that loved to take your premiums for all those years becomes your worst enemy. You definitely need a lawyer to read your policy and to fight for what you are due and for your rights."

Brian Francis fought with an insurance company that cut off his wife's benefits after she sustained permanent brain injuries in a car accident more than a decade ago.

He advises accident victims to hire legal help and challenge the credibility of fee-for-service health professionals hired by insurance companies for assessments. This may be the first step to cutting off policy benefits.

- Money 401 moves on to explore the evolution of payment systems. Will that be cash, cheque or credit card? The series kicks off Sept. 16.

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