



INSURANCE A VITAL PART OF YOUR FINANCIAL PLAN

Since Financial Information Month coincides with the most active phase of the Atlantic Hurricane Season, an article on the importance of insurance as part of a financial plan is most timely.

Although, St. Vincent and the Grenadines has not been visited by a hurricane since August 1955, we live in a zone which is exposed to a multiplicity of natural hazards. The eruptions of the La Soufriere volcano and the near-misses from several major hurricanes bear testament to our vulnerability.

The coastline of St. Vincent is punctuated by clusters of population from Fancy in the North East to Chateaubelair in the North West. It is estimated that seventy percent of our total population live in our coastal towns and villages and our main commercial and industrial centres also border the Atlantic and Caribbean coasts. It is therefore not difficult to conjecture the damage that a Category 3 hurricane (with sustained winds of between 111 and 130 mph accompanied by a sea surge with waves of between 9' and 12') would wreak on these coastal communities. How do we protect our assets and, by extension, our financial health from the ravages of natural disasters? Obviously, by incorporating the risk-transfer mechanism of insurance in our financial plan.

The role of insurance in a financial plan is as important as either saving or investment. Indeed, insurance protection allows us to preserve and to create wealth.

A dwelling house is easily the single largest expenditure that persons will make in a lifetime. Additionally, the contents in a reasonably furnished house could exceed one-half of the value of the house itself.

Rather than trying to self-insure, insurance transfers the risk of loss or damage from the house owner to the insurance company for an annual premium which is a fraction of the cost of the house. The peace of mind that the house owner derives in this process is priceless and facilitates the pursuit of other wealth creating ventures.

Insurance as a part of a financial plan is however, not only limited to the protection of personal property. There are a plethora of other insurances which are equally as important.

One which comes readily to mind is health insurance. The advances in medical science have allowed us to live longer than our forbears. Concomitantly, however, is the prospect of disease which can deplete our savings and cause financial ruin.

The purchase of medical insurance should, therefore, form part of any financial plan and so should life insurance which helps to preserve the family's wealth should the main breadwinner(s) expire before the loans on the mortgaged assets are fully repaid.

Under the health care umbrella, there are several variants of insurance which should also form part of your financial plan. Notably, are disability income insurance which replaces some of your lost income if you are unable to work for a prolonged period of time and long-term care insurance which covers the cost of health care in a nursing home.

An aspect of insurance which is frequently overlooked in a financial plan is liability insurance. It cuts across all classes of insurance and protects in a variety of ways. It protects the owners of motor-vehicles if they become liable to third parties for either damage or personal injury. There is also malpractice insurance which protects professionals such as doctors, lawyers, accountants, etcetera if they are sued for any wrongful act or omission in the discharge of their duty for their clients.

It is impossible in an article of this length to highlight all of the areas in which insurance should form an important part of a financial plan. Suffice it to say, however, that without insurance, individuals and businesses would be left without the financial underpinning to create and preserve wealth.

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