

An aerial photograph of a shipwreck in clear blue water. A large white tourist boat with a blue roof is visible in the middle ground, moving towards the wreck. The water is a vibrant blue, and the shipwreck is visible as a dark, triangular shape in the lower right. The overall scene is serene but carries a sense of historical tragedy.

# Managing the Risk in Life

# 14

Scott Stallard Photography

Tourist boats sightseeing at a sunken shipwreck, another victim of Bermuda's treacherous reefs



## Step Fourteen - Managing Risk

### Managing Risk, Consequences and Resolution

Everyone faces risks and anxieties at some point in their lives, from job security to relationships, health issues, natural disasters, financial uncertainty and the like. Knowing how these all can occur and managing them is important to a having a secure handling of your finances.

#### The risk of living.

If you asked anyone, your friends, your family, the person on the street “what did they fear / worry about the most” besides Halloween ghosts, that is, the most common answers would probably fall into just a few categories: fear of losing a job, losing money and a relationship, losing good health, and losing one’s life.

We live with fear, worry, and risk every day. We don’t think we do, but risk of losing some component of our being is there as a completely random event or within our control to manage and prevent.

#### Risk of job loss.

You cannot control whether the company you work for changes direction to another jurisdiction, or undergoes belt-tightening. You can, however, continually prepare yourself for changes in working environment with continuing education while monitoring your current status. Never allow yourself complacency.

#### Risk of losing money.

We all make choices in life. We can choose to do nothing; then, inevitably spend just as much if not more time and money reacting to problem situations. Or, we can choose to be proactive by staying on top of our financial situation (and the reason I wrote this series) so that we will always know where we stand – and can weigh the risks before we invest in future opportunities.

#### Risk of losing a relationship.

Fact: Money is the biggest factor in relationship disasters: how you handle it; how he/she manages it; how your parents dealt with money issues; how you can change money dynamics for the betterment of the family.

#### Risk of debilitating illness.

Everyone worries about health events, retirees most of all. A Physical health review is no different than a financial review. We can control how we improve our physical well-being with discipline, work, commitment and consistency. The end result – we increase the odds of staying healthy, creative and happy.

There are numerous health quizzes on Google. Take One - how healthy are you?

## Risk of Increasing Taxes and Non-Compliance with Global Tax Authorities

Taxation, both increases and decreases, has a direct and indirect effect on an economy.

Increased taxation, both new taxes and current tax increases, reduce the direct net income received by ordinary Bermuda resident households while indirect tax is passed through to them affecting their purchasing decisions for food, clothing, retail products, utilities, health needs, services, and entertainment.

- Household faced with shrinking purchasing power will instinctively cut back consumption, trim other costs, or go without.
- Renters, both commercial and single tenant-type homeowners, will raise leases.
- Retailers and service providers will increase fees to compensate for increased cost of over-head.
- Exempt companies are always cited as getting a “free ride” with their legislated corporate zero tax. However, they too will experience higher costs across the board for personnel, benefits, commercial space, administration, etc. Public companies have an overriding responsibility to their shareholders and investors. They will never hesitate to trim expenses.

Increasing taxes is never an economic accelerator, history tells us that time and time again.

Tax costs are always passed on, because no one is going to absorb (immediately, or indefinitely) arbitrary tax expenses by accepting smaller profits or no profit at all.

Redundancies follow that whenever companies announce corporate language such as, restructuring, better customer service, cost containment, shareholder responsibility, etc.

Tax cuts on the other hand increase household demand by increasing workers’ take-home pay, boost businesses demand by increasing their after-tax cashflow, which can be used to pay dividends and expand activity, and by making hiring and investing more attractive. **Can any community stand the pain of tax increases? Answer, not really.**

The supposedly well-heeled will seek alternative methods, offshoring and moves to more comfortable jurisdictions to generate income, completely nullifying their local tax contributions. Those who do not have such choices, Bermuda’s middle class, will have to tighten their belts further while limiting their consumption again, too perhaps nothing but the necessities.

**Tell me, then. How does such an initiative help rejuvenate an economy?**

Further, Bermuda is a polyglot of residents, citizens and nationalities with international tax compliance obligations to other country tax agencies.

**See detailed discussion regarding cross border complexes and taxation for multinational individuals and their families under the PondStraddler Section Cross Border Cautions and Compliance.**



## Risk of death.

Some consider this a needless concern. Inevitably, we came into this world with nothing, and we will leave the same way. No matter how much we worry, every single one of us will take the final journey, hopefully after a happy, healthy and successful life.

But what about those left to mourn us? From the onset of birth - for most people - our lives become enhanced with broad, purposeful, contacts and community while surrounded by people we care about.

**These are the relationships we want to protect against risk of loss.**

This is why we insure ourselves, our health, and our property - to protect ourselves, and those we are responsible for and care about.

This is why we provide for our spouses, partners, children, family members, businesses we own and much more - by putting our estate plan in order: wills, wishes, medical care directives, naming and recording beneficiaries, guardianships if needed, trusts, life interests, password access, conveyancing, and any other planning deemed necessary and appropriate.

## Insurance - Risk Management Ramp Up

**You buy insurance when you don't need it.**

**Contingency planning is a fancy word for setting up a fallback position in case your world falls apart.**

No one that I know can summon any real enthusiasm for the subject of insurance. Well, maybe the insurance experts get a little excited. When the subject comes up, the discussion centres around the cost. Why do we need it, and 'those insurance companies are just raking it in,' and other comments.

**The truth is, we do need it.**

**The real true cost in times of disaster is minuscule compared to the emotional, physical, mental and financial toll that natural disasters, illnesses, and injuries inflict on the best of us (in the worst of times for us).**

## The Insurer Role.

The responsibility to insure for people's health, property and their lives is incredibly long tailed.

What other service proposition do you know of where you can purchase something and expect to cash in on it many years later?

Not many.

Yet, an insurance contract is implicit in its nature that for your prepayment (premium), you will be covered for a certain period of time.

This contract with you and all policy holders demands a rigorous ongoing investment management discipline from the insurance company. Premiums must be managed for eventual probability of a claims expense along with enough of a profit generation for the company to remain economically viable.

## Brief History: Health, Marine, Property & Life Insurance

According to Rod Johnson, Director of marine risk management at RSA Global Risk, a major UK underwriter, "financial history has most often been taken to be the history of money, banking and lending, and stock markets. It is a widely held belief by insurance professionals and several researchers that marine insurance — hull and cargo specifically — are the oldest forms of insurance, with [the first formal marine insurance policy recognised today as such dated from 1350.](#)"

Aptly fitting that to know marine insurance operated before Bermuda island life and its very survival even existed, yet today, the Bermuda risk re/insurance market is one of the largest in the world.

Centuries ago, wise and wealthy merchants insured (and had the assets to do so); the rest of our fore-bears just relied upon hope (nothing bad would happen) to get them through life.

The first property insurance company known as The Insurance Office (TIO) came into being after the Great Fire of London in 1667. TIO did not itself survive history - the first lasting insurance company dates to 1710 and today is known as the Royal & SunAlliance, Britain's largest insurance company. source: International Risk Management Institute.

**Health insurance** evolved in the United States (the first commercial plan was organised in 1847) from its original purpose, technically that of a pure disability policy, to offset income losses resulting from accidents on the job, probably influenced by the compelling (and gruesome) true book by Upton Sinclair, "The Jungle", of the horrendously short, accident ridden lives of Polish and Lithuanian immigrants in the 1900's working in the meat slaughter-houses in Chicago. One false misstep during 120-hour work-weeks with a trimming knife, in bacteria laden surroundings near vats of boiling oil, and a young man or woman was maimed or worse forever.

No work, no fallback, no food, no home, no choice in the matter, no future. Sinclair's works lead the US Congress during the Wilson administration to change laws for food processing while attempting to prevent the abuse of these largely migrant workers.

More than one hundred years later, it would seem that they were only partially successful. In our current new century, millions of Americans still cannot afford health insurance.

Regrettably, Bermuda as tiny as we are, has an estimated several thousand inhabitants who cannot afford health insurance.

**Insurance companies try to save us from ourselves, particularly in the health insurance area, but should they? Witness how most of us (me included) take health insurance for granted with our less than stellar eating habits, our lack of discipline in exercising, our indulgence in substances that really aren't good for us, but sure make us feel great for about five minutes, our indifference to causative environmental pressures.**

We, as individuals, are all in this community health pool together and ultimately, we all bear the cost for each other, in one form or another. In general, how does this health insurance scenario work? This is the analogy, Sherman Folland uses in his book, The Economics of Health and Health Care.

**Insurance is like a club.** Consider a club with 100 members. The members are about the same age and they have the same lifestyle. It seems that about once a year one of the 100 members gets sick and incurs health care costs of \$2,000. The incidence of illness seems to be random, not necessarily striking men, women, the elderly or the young in any systematic fashion.

The club members, worried about potential losses due to illness, decide to collect \$20 from each member and put the \$2,000 in the bank for safe keeping and to earn a little interest. If a member becomes ill, the fund is used to pay for the treatment. This, in a nutshell, is insurance. The members have paid \$20 to avoid the risk or uncertainty, however small, of having to pay \$2,000.00. The 'firm' collects the money, tries to maintain, and/or increase its value through investment and pays claims when asked. But what happens if too many get sick in one year? Or the investment account values head south? The informal healthy-coverage club goes insolvent for a number of reasons:

- pool of members too small to spread the risk
- insufficient premiums
- large losses with inadequate reserves.

Health insurance coverage in Bermuda has evolved as a sophisticated mechanism for containing costs of illness and for providing routine preventative health care. We are so fortunate for such a tiny island.

More than seventy years ago in Bermuda, health insurance existed, but not for everyone. Our father, God bless him, like many Bermuda families back then, could never afford health premiums for his large family. This situation was the source of great stress and fear of catastrophe over their entire lifetime. It also promoted the almost total avoidance of doctors to the detriment of his and our mother's health. Good and bad, you might say.

Health insurance is expensive. Utilising the law of large numbers, it is easy to understand that it is extremely difficult to have the cost competitiveness of larger jurisdictions with much larger pools of individuals to draw from. Yet, the insurance companies

here manage to pretty high expectations very well. With insurance benefits mandatory if you are employed here in Bermuda, is there ever much scrutiny as to what those benefits really are?

## What your benefits?

Do what you can to control this cost. Work on staying healthy by setting up guidelines in the same manner as your financial review. **You can do it.**

Go through your policy very carefully, line by line. Know clearly what you are responsible for and what the insurance company will pay. Check with your employer regarding less expensive alternatives.

Poor health, poor relationships, poor financial decisions, poor working habits all cost you (and your family) more money in the end.

Use this financial review to turn your life around.

**Addendum.** In 2020, with the current Bermuda government initiative mandated move to a single payer health plan, controlled and administered by government, there is little detailed information provided by the Minister of Health or other government authoritative bodies to illuminate this discourse.

The Bermuda public is still, literally, in the dark - even concerning the basic services and resources to be utilised under this Bermuda Government Health Plan Initiative.

So, I am unable to comment fully given massive changes expected and little concrete information for family financial planning purposes. Instead, we provide a brief summary of current health coverage from the Bermuda Government health website as at May 29, 2020.



**BERMUDA HEALTH PLAN 2020**

Mock Plan for discussion and consultation purposes

Prescription Medication Coverage (\$400)	Chronic Disease Management	Total Maternity Care	Local Radiation Treatments for Cancer Care	Limited Outpatient Mental Health Care	Physician Home Visits	Personal Home Care Services (Caregiving)	Basic Vision	Basic Dental	Overseas Treatment (medically necessary)	Specialist Care Visits (2 visits)	GP Office Visits	Hospitalization, Kidney care, Imaging, Home medical	
Select Medical and Dental Charges Order	Ophthalmic Surgery	Local Radiation Treatments for Cancer Care	Additional Wellness Benefit (max 6 visits)	Limited Outpatient Mental Health Care	Physician Home Visits	Personal Home Care Services (Caregiving)	Basic Dental	Overseas Treatment (60% in network, 50% outside)	Specialist Care Visits (max 5 visits)	GP Office Visits (max 4 visits + co-pay)	Hospitalization, Kidney care, Imaging, Home medical	Hospitalization, Kidney care, Imaging, Home medical	
Allied Health Care	Prescription Medication (\$2000 limit)	Select Medical and Dental Charges Order Coverage	Ophthalmic Surgery	Local Radiation Treatments for Cancer Care	Wellness Benefit (max 6 visits)	Outpatient Mental Health Care	Physician Home Visits	Personal Home Care Services (Caregiving)	Vision Care	Basic Dental	Overseas Treatment (75% in network, 65% outside)	Specialist Care Visits (max 5 visits)	GP Office Visits (Unlimited + co-pay)
Hospitalization, Kidney care, Imaging, Home medical	Hospitalization, Kidney care, Imaging, Home medical	Hospitalization, Kidney care, Imaging, Home medical	Hospitalization, Kidney care, Imaging, Home medical	Hospitalization, Kidney care, Imaging, Home medical	Hospitalization, Kidney care, Imaging, Home medical	Hospitalization, Kidney care, Imaging, Home medical	Hospitalization, Kidney care, Imaging, Home medical	Hospitalization, Kidney care, Imaging, Home medical	Hospitalization, Kidney care, Imaging, Home medical	Hospitalization, Kidney care, Imaging, Home medical	Hospitalization, Kidney care, Imaging, Home medical	Hospitalization, Kidney care, Imaging, Home medical	
<b>CURRENT SHB</b>	<b>(DRAFT) BHP</b>	<b>HIP</b>	<b>FUTURECARE</b>										
Current SHB vs Draft BHP		Current SHB vs HIP		Current SHB vs FutureCare									

**GRAPHIC AT-A-GLANCE COMPARISON OF BENEFIT PLANS**





Caution: it is up to you to verify current health insurance benefits after this date.  
 Bermuda Health Plan 2020 Package Design. <https://www.gov.bm/health-plan-package-design>  
 Launch Video <https://drive.google.com/file/d/14QuWEWR4c-ddibo8IEig0k-zXIfQkykK/preview>

## Reviewing your insurance policies:

Caution: Many of these references are US or Canadian based and provided for general information awareness. Pricing, coverage, and some terms may be different than policies provided by insurers in Bermuda.

Most people will generally purchase some insurance: vehicle - required for a license, property, life, health, but disability, not so much as local disability policies are extremely expensive.

When budgets are tight, pull back will take place. Some families will go "bare" hoping that illness or other natural disaster will not affect

them. They may have no choice, financially, but having no contingency plan can create stress as well.

## Property Homeowner Insurance Policy

Property Home ownership (and Bermuda investment property) is an absolute sacred trust for most Bermudians. In the decades before the cessation of Bermuda government currency exchange controls, everyone worked to invest their savings into purchasing a home property. The old way to self-sufficiency became savings accounts, dividends from local company shares,



and a rental unit, sometimes attached to the main house, or purchasing a second property for rental income.

Property acquisition became even more desirable and achievable due to the entrepreneurial vision of Sir John Swan, KBE, former Premier of Bermuda. His firm built hundreds of affordable houses, offered complete with financing thereby giving possibly thousands of Bermudian residents the opportunity to finally have a home of their own.

Bermuda Home ownership is expensive for numerous reasons, the largest reasons, limited land mass and prohibitive cost of imported building materials. Natural weather patterns in the North Atlantic produce hurricanes every year. Some will track a direct path to Bermuda before racing north-ward in dissipation. Thus, protecting one's property in Bermuda is paramount.

It follows that property insurance is also expensive and cannot be literally compared to say a comparative home in the United States or Canada.

#### Homeowners - Property insurance.

Families often feel that carrying insurance on a house - is inordinately expensive - higher in Bermuda than some other areas - and will bring up the complaint that they pay this policy fee every year - for nothing.

Year after year of payments can be quite expensive for any budget, but trust me, many Bermuda Island families have experienced hurricane strikes and severe damage. No one wants (or can afford) to pay for the hurricane destruction alone.

Yes, we can justify cutting back or dropping property insurance, hoping that the next random hurricane won't take out the roof, and



Tiny old Bermuda cottage with limestone roof - to catch water in the separate raised water tank below the house.

sidewalls. But it is a gamble, further exacerbated if such event does occur, the longer time and cost to repair damage - all out of pocket. Significant hurricanes, like disastrous Fabian 2003, when so many homes had roof damage, those blue tarps were evident for months. No one really wants to try and cope with a months-long repair schedule - self-financed (if no insurance coverage), so for most, property insurance in Bermuda is important.

**We need that insurance.**

## How to read a property policy.

People tend to think that an insurance policy is a complex piece of paper that no one wants to look at, or begin to contemplate reading through it.

We're going to look at a homeowner's property policy and break it down into some manageable bites. You should make plans, even so, to review your personal home-owner property policy with your insurance agent.

It's really quite simple; what the insurance policy will do is layout your basic information in an outline format:

- Policy number
- Name of the insured, you (and your spouse, partner, other) who own the property.
- The ensured location property; where is it, street address, county, state, country, etc.
- A full description of the property: date built, construction type, grade and protection class, kind of roof, automatic sprinklers, and so on.
- Other items that may be relevant as identifiers, such as a copy of your ownership deed, where your deed is recorded, and mortgage information, bank, etc. This is so that the insurance company knows that the bank has a claim on your property - until the mortgage is completely paid off.

## Property Coverages, Additional Coverages, and Limits to Coverages

as well as Exclusions are stated with the total dollar coverages. The policy specifically spells out for you the items they will insure and the dollar limits they will reimburse to you in a casualty event.

Property Coverages are detailed in this illustrative example:

- Dwelling
- Other structures
- Personal Property
- Loss of Use and Additional coverages
- Personal liability
- Medical Payments to others
- Exclusions and perils - not covered.
- Deductibles to the policies. Additional coverage available for purchase.

## Your Dwelling and Other Structure e.g. detached garage, storage shed

Generally, a dollar limit called the replacement cost is assigned to your property.

**This cost is not the same as the current sales value of your home on an open real estate market.**

Let's say that you paid \$400,000 for your property; you've owned it for 10 years and the retail sales price of the property might have increased, considerably.

However, this value may not be what your property insurance policy lists as a replacement cost.

They may be completely different. Your insurer is only interested in what it would cost to rebuild your home (after a fire, hurricane, etc.) on the

same footprint with basically the same style. Insurance companies rely on enormous numbers of statistics that can estimate pretty accurately the construction cost for your area.

## Replacement Cost Caution.

Your responsibility is to assure that your home is inspected on a regular basis (or at least, check with your insurance agent) every few years - to be sure that the replacement cost to rebuild your home accurately reflects the current cost of reconstruction at the time. **Some homeowners will obtain a policy that has a low estimated replacement cost, and of course, a low premium - BUT, in the event of a disaster, if you are underinsured, the policy will not cover the entire cost of rebuilding.**

## Personal Property

Furniture, clothing and other reasonable items are covered. What may not be covered are high value items, such as boats, jewellery, watches, silverware, antiques, etc.

Loss of Use covers temporary lodging and costs of food, etc residing elsewhere while your home is repaired.

## Personal Liability and Medical Payments to Others.

Coverage for bodily injury or property damage you or any of your household insured under the policy at, or away from your home. It may include general liability as well.

This is an important component of your policy and should be carefully reviewed with your insurance agent. **If your home has certain considered hazards**, a dog, pool, large trees near a neighbouring property, etc. you may want to consider an umbrella policy with broader liability coverage and higher limits for additional personal liability coverage.

## Deductibles

The second part of the policy will stipulate what your deductibles are that are attached to your coverage. Deductibles can range from \$500 - \$5000, or more, depending upon additional coverage. **Generally the higher the deduction the lower the annual premium.**

**Remember, in the event of a property disaster event, you will be responsible for the deductible portion of the policy.** This can be particularly problematic in the event of a vehicle accident. Your insurance company will only cover the amounts - after the deductible. You will have to furnish the cash - for say the first \$500 upfront for the repairs.

Another reason to have a contingency cash cushion for contingencies and unexpected events.

## Bottom Line

Review your policy carefully and get assistance from your agent if there is any confusion about coverage and exclusions. Be very sure that your policy premiums are enough to cover the 100% replacement value of your real estate(s). Otherwise, you will not receive full reimbursement for repairs. Check with your local provider, to be certain.



**PLANNING HINT:** Run a mock claim to see what reimbursement you would receive, based upon your replacement value, premium, and policy statement.

Be sure you understand - what is not covered and make arrangements to increase coverage, if necessary. A basic policy may not cover hurricane damage, wind-storm, hail, ground collapse, vandalism, mold, severe flooding. etc. Three days before a hurricane arrives is not the time to increase your coverage to protect your home and your family.

## Vehicle Insurance policy

We dare not drop vehicle insurance, given that the chances when driving on our narrow roads and reckless driving for an accident are rather high.

## How To Read a Vehicle Policy

The basic vehicle insurance information required of you and any other family drivers is very similar to what is required for home-owner insurance.

Liability coverage dollar limits for each person bodily injury and each accident are stipulated.

There is one big difference. Generally, a minimum vehicle insurance coverage is legally required.

- Names of drivers. It assumes that drivers have current licenses.
- Addresses
- VIN numbers of cars owned in household
- Estimate number of annual miles driven per vehicle
- Coverage Types and Limits of Cash Liabilities

## Liability

- bodily injury - for each person and each accident
- property damage - each accident
- Medical Payments
  - each person
- Uninsured Motorists
  - bodily injury - for each person
  - each accident
- Physical Damage Coverage
  - comprehensive loss
  - collision loss

## Life insurance Policy Choices

Life insurance is a different kettle of fish, AMAZINGLY, it has been in existence since the time of the Roman Empire.

Whole life insurance is popular in Bermuda, those with a possible familial tendency to say, kidney or diabetes problems in later years should consider purchasing a policy early in their working years.

Why? Because you may be considered uninsurable in later years, unable to purchase any coverage and typically, in general, whole life insurance premiums do not increase as you age.

However, when budgets are really stretched, those monthly whole life insurance payments may be a real hurdle. More than a few readers, clients, etc. have told me they stopped paying, simply could not afford the premiums.

The policy lapsed. This is so regrettable, but understandable in hard times. Do what you can to restructure your policy.



You buy insurance when you don't need it, because life happens! Often unexpectedly....

If your family is in this situation, call your insurance broker immediately.

You may have the alternative to have the cash value pay the premium (for the short term anyway), or you may be able to convert to a term policy for a few years, or work out another solution.

See what you can do to rescue all the work that went into qualifying you for a life policy, initially.

### The better question – is are you adequately insured?

The thing is, we buy insurance against the day that something disastrous does happen. I can easily bet that if you added all the premiums you currently pay to an insurance company against the cost of self-financing the repairs on your hurricane damaged residence, paying off the mortgage, or saving every quarter for a college fund, and additional financial safety for your spouse at retirement, you could not do it.

Insurance gives you, at a minimum, the financial resources to rebuild your life after losing a spouse, partner, to rebuild your home, and to cover catastrophic illness medical fees.

You and your family need life insurance. If you are single, perhaps, not so much. Your employer may provide a basic term life policy in addition to your mandatory health insurance. **Be grateful. It is great benefit that you don't have to incur cost.**

### Reviewing your life policies.

What are they?

Where are they?

Are they enough to get your family through losing you? General reckoning is that your current annual salary times ten times is adequate to see your family along, but what if your family is young when you depart unexpectedly.

Let's just take a page and a half to walk through the most popular life insurance policy structures.

Note: this is a generic overview, not specific Bermuda life insurance product offerings. The purpose is to provide you with discussion points when you meet with a life insurance agent.

## Life Insurance Comparisons

Kinds	term	whole of life	universal life	variable life
<b>Premium Term</b>	1- year - must be re-n <sup>e</sup> wed each year	permanent for life of policy	permanent for life of policy	permanent for life of policy
<b>Amount</b>	premium may stay same for a set period, i.e. ten years, or increase annually or periodically	same premium every year, but will lapse if unpaid	premium may vary	same premium every year, but will lapse if unpaid
<b>Protection</b>	year-to-year	life, as long as premium is paid	life, as long as premium is paid	life, as long as premium is paid
<b>Death benefit, guaranteed?</b>	<u>generally</u>	yes	yes	yes
<b>Cash value</b>	NONE, premium is for coverage only, no cash build-up over time or payments of dividends	yes, cash is placed in a guaranteed minimum rate savings account	yes, cash is placed in savings account, but interest rate may vary	no cash savings account, value is gained(lost) through capital market investments
<b>Cash value growth determination</b>	N/A	interest paid on accrued cash over time	variable rates depending upon insurer	Insurer invests cash in its pool of sub accounts in capital markets, subject to risk of loss

Important to keep in mind that policy costs and conditions will vary from insurer to insurer as well.



## Some Differences in Policy Structures

### Term Life.

- Policies are cheaper initially due to just paying for death benefit, but costs will rise over time.
- Coverage may run year-to-year, or longer, say ten years at same premium, then increase in steps as insured ages.
- Cost effective for young families on tight budgets.
- NOT recommended for individuals who may have tendency to health problems later, or possibly, inherit family health issues and may not be able to pass health exams.
- May be convertible to whole of life, although additional health screening exams may be required over time.

### Whole of Life

Premiums are significantly higher than term insurance but remain the same for the entire duration of the policy. Literally, the individual is pre-paying as a young person for the increases in cost later in life.

Generally, also, the individual insured is not required to have an additional health screening after policy is in effect.

The difference between the actual cost-to-insure and the premium paid is considered additional paid-in-cash. The accumulating cash earns interest over time, increasing the cash value.

Cash value build-up is a form of forced savings for those who have difficulty in adhering to a general savings plan.

Cash value can be borrowed back by the insured.

Dividends may be paid if the whole life insurance is a participating policy.

Best for individuals who can afford whole of life, who like the continuity of the same premium for life, and who may feel they will incur health issues later in life, where when obtaining a life policy may be unaffordable or denied due to pre-existing health conditions.

### Universal Life

- Generally, similar to whole of life.
- Differences:
  - Insured policy holder can adjust both the premium and the death benefit
  - Cash values can also be used to pay premiums during, say periods of unemployment. The death benefit may or may not be reduced depending upon the accumulated cash.
  - Can also skip payments, using cash interest accrued, if sufficient, instead.
  - No dividend payments.
- Variable Life
- Generally, similar to whole of life.
- Differences:
  - Cash value is invested in capital markets subject.
  - Insurer uses only their sub account mutual fund-type investments, thus a limited choice
  - Fees may be higher due to fund management.
  - No dividend payments.
  - Product is not for the risk averse. Any investment in capital markets can appreciate or lose money.
  - Ultimately with this product, in a down market, the insured could be paying a

higher price for the same death benefit only - as term insurance due to loss of most, if not all, cash value.

## Group Term Life Insurance offered by employer.

- This is a type of free premium insurance offered as a benefit to a pool of employees.
- It is similar to term insurance.
- Generally, coverage death benefits amounts are limited to one-to two years of a salary.
- It is contingent upon continued employment at the firm, ceasing if employee leaves.
- Some group life policies allow the employee to take on the premium as an individual, thereby leaving with the policy.
- It is a great benefit, particularly for those employees who cannot afford personal individual life insurance.
- The death benefit is usually not adequate for a family; However, some insurance is better than nothing.
- Moneywise recommends that the employee takes out a personally owned life insurance policy as well, if it can be affordable!
- Be sure to keep track of the policy filed with your personal documents.
- Life happens!

## How do you know which type of insurance is best for you?

Visit the website [WWW.policygenius.com](http://WWW.policygenius.com) for an impartial review of basic life insurance topics.

Visit our Bermuda's local life insurance providers' websites and talk their agents:

Argus Group Holdings

BF&M

Colonial

Freisenbruch Meyer

## Life Insurance policy owners.

### Are all your beneficiaries correct?

- When was the last time you reviewed your policies?
- Who are the named beneficiaries?
- Are they the ones you want?
- Have you married, divorced, or changed relationships?

Be very sure that your group policy has your beneficiary(s) names on it, not the company - as beneficiary. In the US, certain large corporations did just that, naming themselves as the beneficiary. When the employees died, the death benefit went to the company and not to the deceased employees' next of kin.

It appears that this practice was discontinued after numerous lawsuits - even to the US Supreme Court - around the end of 2010.

Note: I do not think this type of issue will arise in Bermuda, but one should always assume responsibility for every single aspect of your financial life. It is up to you to review your life policy(s) and get clarification from your broker if you do not understand all the terms.

**So many times, individuals forget these very important steps. Then, life happens.**

Guess who may not receive your death benefit? Your spouse and young children because you opened the policy when you were single and named your mother. She has passed and now everyone in the family except the ones who need it the most, will be fighting over their share.

Keep your records up to date!

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Bottom Line. Buy cheap term life insurance if you can't afford anything else.

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Any amount is better than none. When you are more successful financially, and generally, a bit older and more established, then consider a whole life policy structure with a cash value included.

Try the Foresters Life Insurance Need calculator. This insurance company was chosen to eliminate any bias toward local providers.

<https://www.foresters.com/en-ca/tools-and-guides/life-insurance-calculator>

## Tenant Renter's insurance.

Not everyone owns a real estate property or even wants to. Renting a domestic space for yourself and your family has always been a choice, sometimes it is the first home for young adults, singles, couples, families and guest workers. We all tend to make a house or apartment our home with our things, our comfort factors, our valuable possessions, and our family documents - many of which may be irreplaceable.

Life happens. Things get destroyed, unexpectedly.

Originals of all precious documents should be kept offsite of home: safety deposit box, digital copies uploaded to the cloud or independent hard drive as well.

**Don't forget to list access/your passwords!**

We live in the most cosmopolitan era ever - many of us came from somewhere else, have more than one passport, relatives in Bermuda and abroad, investments held in custody offshore, passwords, account numbers, etc. are kept in a paper hardcover book that is now ineligible - and useless and so on.

Your other possessions and possible exposure to liabilities can be insured through tenant insurance: the upstairs apartment bath leaks onto your electronic equipment, your apartment is burglarised and vandalised, someone trips on your fluffy rug, and hurricane Umberto basically ruined your brand new couch.

Google - Renters Insurance 101 to understand how it works.



## Should you buy insurance or self-insure?

Over my 35 years of practice, people have often complained to me in confidential financial meetings that they feel they are paying far too much in property insurance premiums in Bermuda. "Year after year said one person, and "I have never had a claim. They (meaning the insurers) are making all this money."

Why not take this little reality check exercise, since Bermuda has taken numerous poundings from some horrific hurricanes. It is always a good idea to think about

- what it would cost you personally to cover extensive damage / without insurance, and
- compare that total amount to what you have paid in property insurance premiums over the years, keeping in mind the very high construction costs in Bermuda.

The final thought is - that if you go "bare" meaning no property insurance coverage, do you have \$100,000-\$150,000 or more in savings to cover the cost of rebuilding?

What would you do if you cannot raise the cash or borrow it, and your roof is gone entirely, blown away by a hurricane?

Insurance allows you to be prepared at a minimum cost of the personal stress, and financial insecurity.

## Caution!

### Pondstraddler Life™ Financial Planning Alert

Multi-jurisdictional citizens (US and green card holders particularly) may not be able to satisfactorily make use of Bermuda Life insurance products as they may be subject to taxation and other regulations in other domiciles.

Never assume that what works in Bermuda will be acceptable based upon multi-national tax regimes, upon return to your home country, or relocation from Bermuda. Always consult with an international tax, legal, and finance professional before you purchase a product that cannot be redomiciled!



## References & Resources

How to read a Homeowner's property policy  
<https://www.insure.com/home-insurance/homeowners-insurance-policy.html>

How to read (and actually understand) your Auto insurance policy  
<https://www.insure.com/car-insurance/how-to-read-your-insurance-policy.html>

A guide to understanding your health insurance policy

<https://www.insure.com/health-insurance/understanding-health-insurance.html>

How to read a Life insurance policy

<https://www.insure.com/life-insurance/life-insurance-policy.html>

A brief history of Life Insurance Corey Dahl

Google - Bermuda Laws Online

Bermuda Health Insurance Regulations

Bermuda Hospitals Board Act 1970

Motor Vehicle Act 1951 Consolidated

Life Insurance Act 1978 - Bermuda Laws Online

Insurance (Property) Act 1978 - Bermuda Laws Online



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[Managing Risk in Life](#)

<https://tinyurl.com/yhu9rknk>

