

TIP SHEET

**Risk Management Ideas From
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9 Insurance Policies You Don't Need

Insurance should cover catastrophic losses that you'd be hard-pressed to cover on your own. So what do you need? A term-life policy to cover your contribution to the family's expenses; a comprehensive health policy (or membership in a managed-care plan); disability coverage to provide income when you can't work; and homeowners and auto insurance to replace lost property. If you've got those, you don't need the following 9 policies.

#1 MORTGAGE LIFE INSURANCE This policy, generally purchased from a lender, will pay off your mortgage if you die. The cost can be three to five times as much as comparable term-life insurance for a benefit whose value declines as the mortgage is paid down. **Instead:** Rely on term life.

#2 CREDIT-CARD-LOSS PROTECTION It pays off losses if your card is stolen and the thief goes on a spending spree. Plans cost \$7 to \$15 a month. But federal law limits your loss to \$50 per card. **Instead:** Put credit-card numbers in a safe place, and report lost cards ASAP.

#3 CAR-RENTAL INSURANCE For \$8 to \$11 a day, it covers damage to cars and people if you are in an accident while driving one of the rental agency's vehicles. Check to see if your credit card or your own auto policy has such coverage, says Sandy Praeger, insurance commissioner for Kansas. **Instead:** Don't bother.

#4 FLIGHT INSURANCE Specialty travel insurance companies sell life-insurance policies that pay a benefit if you die (or are dismembered) in a plane crash. Depending on the amount of insurance you buy, you pay \$15 to \$60 per flight. **Instead:** Skip it. Term life will cover you if you die in a plane crash and health insurance should cover medical expenses.

#5 CANCER INSURANCE Marketed by specialty-insurance companies, these plans supplement health insurance for cancer-care costs. Annual premiums range from \$200 to \$3,000. Despite their high cost, the policies may not cover outpatient care. **Instead:** Chances are that your existing health insurance already covers cancer expenses, so forget about it.

#6 CREDIT-LIFE INSURANCE Credit-card companies, banks and other organizations that finance a purchase or lend money offer policies that repay a loan if you die. Average payout is \$4,500 for a yearly cost of \$23, says William Burfeind, executive vice president of the Consumer Credit Insurance Association. That's a lot of money when a healthy, nonsmoking man of 40 can buy \$100,000 of 10-year level term coverage for about \$100 a year. **Instead:** Make sure you have enough term life to cover loan payments.

#7 CREDIT DISABILITY INSURANCE This policy will pay minimum installments on a loan, typically up to 36 months, if you are disabled according to the terms of your policy. A policy may cost \$21 per \$1,000 of coverage. **Instead:** Make sure that your disability plan will cover your expenses, including any loan payments.

#8 INVOLUNTARY EMPLOYMENT INSURANCE Credit-card companies and other lenders market this policy which makes minimum payments on a credit card or car loan for 6 to 12 months if you lose your job. The cost: \$.70 per \$100 of your credit-card balance. **Instead:** Create an emergency fund that will cover 3 to 6 months of your expenses.

#9 ACCIDENTAL-DEATH INSURANCE Your heirs collect a benefit if you die in an accident. Cost runs about \$600 a year. Only about 5 percent of those who die each year do so in accidents, however. **Instead:** Stick with term-life insurance, which pays regardless of cause of death.

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