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Personal finance tips

Insurance products you can probably do without

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For every fear that people have, there's an insurance policy to cover it. Worried about being jilted at the altar? There's a policy for that. Afraid an alien might abduct you? That's covered too.

Some insurance policies are crucial – auto and property insurance, for example. Others are a sound financial decision, including life, critical illness and disability insurance.

There are some policies, however, many of us can do without, says Tom Drake, a financial analyst and head writer for the [Canadian Finance](#) blog. Shopping for a house and car in Edmonton two years ago, he heard every insurance sales pitch in the book, including mortgage life insurance to cover payments if he died.

After running the numbers, Mr. Drake decided a 20-year term-life insurance policy was the most economical way to protect his family from debts and lost income.

“In most cases, these products play on emotions and are either not worth the money or can be better covered by simple term-life insurance,” Mr. Drake says. “Even worse, some of these policies can be difficult to collect on when needed. So stick to the basics and avoid the insurance you can do without.”

Another strategy, he says, is putting the money you would have spent on extra insurance policies into your savings each month, where it can be used if and when you need it, no strings attached.

Here are Mr. Drake's top seven insurance products you probably don't need:

Insurance on debts

Mortgage life insurance and credit life insurance cover your debts in the event of your death. However, these products tend to be more expensive than a similar level of term-life coverage, which can be used to pay the bills or anything else your loved ones might need. Unless you have health problems that prevent you from getting adequate term-life insurance, these products are not necessary.

Accidental death insurance

The cause of your death is irrelevant to the amount of lost income or the debts that will need to be paid upon your death, so don't bother adding this coverage to your life insurance.

Disease-specific insurance

This product pays a lump sum and covers any expense not covered by your benefits, but is a bit of a gamble since you cannot have any pre-existing condition. You'd be much better off with critical illness insurance, which covers a variety of common illnesses.

Rental car insurance

When you rent a car, you're offered a loss-damage waiver and collision-damage waiver. Before you buy, check with your insurance provider and your credit card company, as you may already have this type of coverage.

Auto glass insurance

For the annual premium, plus deductible, it would cost less to replace your windshield every two years with your own money than to buy this insurance, Mr. Drake says.

Identity theft insurance

This pays a capped amount for any lost wages and expenses you incur while cleaning up identity theft. It does not cover stolen money or fraudulent credit card use – victims need to seek reimbursement for those expenses from their financial institutions.

Child life insurance

This product is offered as a savings vehicle and insurance against early-onset chronic diseases, with a payout in case the unthinkable happens. You would likely be better off with critical illness insurance for your child and a Registered Education Savings Plan.

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