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# Beware of this Insurance Trick

**Alicia was about to sign the papers** on her new vehicle when she noticed an additional charge of a little over $3,400 for insurance on the Bill of Sale. When she asked the finance manager what it was for, he said, 'Well, that's for the life and disability insurance for your car loan.' **She was left with the impression that the insurance was mandatory.** Alicia didn't sign the papers and said she would finish them up the next day. She asked for a copy of the coverage wording to help with her decision.

She learned that the insurance would only make her monthly payments if Alicia died or couldn't work during the loan repayment period. The premium would be a one-time charge added to the financing contract, so she would also have to pay interest on the premium for the term of the loan. There would not be a refund if she paid the loan off early.

If she becomes disabled and qualifies for disability benefits, they would only make her $740 monthly payments for the balance of the loan period or until she goes back to work, whichever comes first. The insurance definitions said she's disabled only if she is unable to work at any job 'for which [she] is qualified by education, training or experience.' Would her student experience as a waitress force her to work at a fast food counter? What if she is only partially disabled?

**Alicia called her insurance and financial advisor for more information.** She found out that, as a 35-year old non-smoker, she could get $100,000 of ten-year renewable and convertible term life insurance for about $120 per year. Plus, she can get $750 per month of disability insurance with a full five-year benefit period for about $600 per year. Unlike the dealership group insurance, this **personal coverage does not diminish over time.**

The personal disability plan pays a benefit if Alicia can't work at her own job, not just any job, even if she is only

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partially disabled. Her personal life insurance can be renewed without new medical evidence. This is important because it is not the last vehicle she'll ever buy and finance. Alicia will be older when she gets her next vehicle and may not qualify for the dealer's coverage because her health might change.

If she took the car dealer's insurance, Alicia would pay dearly for inferior coverage. It made a lot of sense to her to have coverage that is a better value, has better definitions regarding disability, does not reduce or limit the payment period, is completely portable and renewable, and benefits Alicia and her family instead of just the finance company.

Alicia also learned that the insurance coverage is not mandatory for her car loan.

Alicia liked the idea of covering her other debts the same way and believes that her financing obligations shouldn't last longer than she does. When she met with the car salesman the next day, she just took the vehicle. As she wouldn't go to her insurance agent for an oil change, she won't be going to a car salesman for insurance.

*Fictitious characters for illustration purpose only.*

## Questions about life or disability insurance?

Contact our office! **[1]**

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