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Office of the  
Attorney General

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**Tom Miller**  
Attorney General



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**Consumer Advisory Bulletin- June 2005****Credit Insurance: Is it a Good Idea for You?**

You may be faced with an unexpected question when filling out loan papers to finance the purchase of a car or to get needed cash -- Do you want credit insurance?

Credit life, accident or health insurance provides that your debt will be paid if you die, or are injured or disabled and can't work. Credit unemployment insurance provides coverage under some circumstances when you lose your job. These types of insurance may also be offered by credit card providers.

While credit insurance may give peace of mind, it can be very expensive and may be unnecessary. It is also important to remember that these types of credit insurance are optional.

**Follow these tips when deciding whether to buy credit insurance:**

- Consider alternatives! Buying separate disability insurance or adding a rider to your life insurance policy to cover payment of the outstanding debt may be less costly than buying credit insurance. Also, check to see if your homeowner's or life insurance policy already provides adequate coverage.
- Consider the total cost of credit insurance! Policies that cost only "pennies per day" can add up to hundreds of dollars over the term of a loan.
- Beware of restrictions and limitations! For example, insurance on a credit card may pay only your monthly minimum payment, while interest continues to build.
- Read the fine print before you buy! Don't sign or initial a statement saying you want to buy credit insurance unless you decide you really want it. Some consumers complain they didn't know they had purchased credit insurance, even though loan papers they signed stated they agreed to buy it. You may determine some form of credit insurance would be beneficial to you. If you realize after you've signed a loan contract that you purchased credit insurance you don't want, contact the lender. Iowa law requires that you be given a copy of the policy or certificate, and gives you a chance to cancel.

To file a complaint or to get further information about credit insurance, contact the Consumer Protection Division by calling 515-281-5926, or writing to the Consumer Protection Division, Hoover Building, 1300 E. Walnut, Des Moines, IA 50319.

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