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Got a risk? We've got you covered

Insurers are finding rewards by offering coverage against expanding array of risks. But are the policies worth it?

By [Thomas Lee](#), Star Tribune

Pam Reid doesn't think of herself as a worrywart; that title belong to her husband, she says. But when it comes to her daughter Brittany's \$50,000 wedding, Reid is taking no chances.

Brittany Reid, a U.S. Army officer, is scheduled to be deployed to Iraq in early June. The wedding is set for April, but Pam Reid fears the Pentagon could send Brittany to Iraq ahead of schedule.

"We would have to put the wedding dress on a mannequin" in that case, Reid joked.

So Reid purchased wedding insurance, a new product from the St. Paul Travelers Companies Inc. If the wedding is canceled, Reid, who paid \$520 for the policy, will be reimbursed up to \$50,000 for everything from the venue rental to food and flowers.

Reid said she hired reputable caterers, photographers, and florists likely to offer refunds or at the very least postpone their services. Still, the policy is about "peace of mind," the Lake Ridge, Va., resident said.

From coverage for wedding cancellations and identity theft to alien abductions and carjackings, insurance companies are peddling -- and consumers are buying -- increasingly exotic policies to protect against loss from just about any risk one can dare imagine. Are they worth it?

Experts argue that for many customers, the answer is no.

"Why mess with it?" said Nate Wenner, a financial planner with Wipfli Hewin Investment Associates and president of the Financial Planning Association of Minnesota. "Will it ever happen to you? Will it break the bank?"

Mismanaging risk

Kim Thompson, an associate professor of risk analysis and decision science at Harvard University's School of Public Health, said many people lack the ability to assess risk or manage it. That's why people don't understand insurance policies, she said.

"We have a difficult time on how to make decisions in uncertainty," said Thompson, author of "Risk in Perspective: Insight and Humor in the Age of Risk Management." "Some people are definitely too worried and some people are not worried enough," she said. "We sometimes worry about the wrong things. We can buy insurance for weddings but [don't] slow down on a highway. Some people are obsessed with a certain risk. They try to drive the risk down to zero and sometimes make decisions that are not good."

The market for property and casualty insurance is extremely competitive, resulting in lower prices that have hurt insurers' profits in recent years. That's why insurance companies are eager to expand into new markets where they can stress a policy's unique features and benefits, not its price, said Scott Simmonds, an industry consultant based in Maine.

"We are always looking for new risk and new ways to address that risk," he said.

St. Paul Travelers decided to enter the wedding business after learning that 50 percent of brides in Great Britain insure their weddings, while just 5 percent do in the United States. For many families, a wedding represents a significant financial investment that needs to be protected, said Alan Turvin, St. Paul Travelers' vice president of product management.

Wedding insurance also gives St. Paul Travelers agents another way to sell upper-income families additional products and services, Turvin added.

But experts say some niche policies often duplicate coverage provided by more conventional policies. Take disease insurance: There are policies that cover specific ailments like cancer or heart disease. But most health plans already cover catastrophic diseases and provide financial assistance for surgeries, outpatient care, and drugs.

Damage insurance from car rental companies is another example. If you own a car, your insurance policy typically covers rentals. It's the same for accidental-death insurance -- a good life-insurance policy provides the same protection.

Alternative plans

Often, sound financial planning can trump any insurance policy, Wenner said.

Some companies sell insurance that pays your credit card bills if you can't. That means a consumer would be paying the high interest rates on the cards and the insurance premium when both can be avoided by just not piling up so much debt. Unemployment insurance that promises to pay your bills if you lose your job also is unnecessary, he said. Consumers should instead put that money into a rainy-day fund -- plus, there's always state unemployment benefits.

Some insurance policies focus on risks that are unlikely. Airline crashes are horrific, but they're rare; flying is statistically much safer than driving.

Chubb Personal Insurance's Masterpiece Family Protection Plan covers everything from child abductions and home invasions to carjackings and stalking. But unless you are rich and or famous, how often does one get kidnapped or stalked?

Events or issues that attract news coverage can scare people into buying policies. Since Hurricane Katrina decimated the Gulf Coast, more private insurers have been selling flood coverage to people who don't live in areas prone to floods, said Mark Brown, vice president of risk management for insurance broker Aon Corp.

Identity theft is another issue that's getting more attention, Brown said. Major insurers like St. Paul, Liberty Mutual, Allstate, and American International Group now offer identity theft protection, either through standalone policies or riders to

existing homeowner policies. The policies cover lost time and wages from trying to clear your name. But many financial services companies like banks and credit cards already protect their customers from fraudulent charges and offer free or inexpensive services like credit report monitoring.

Before taking out a policy, Brown said, consumers should ask themselves two things: What is my exposure to the risk? Is there a product that best suits my needs?

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