

The motley fool YOUR INVESTMENTS

SOME INSURANCE POLICIES YOU NEED; OTHERS ARE A WASTE OF MONEY

Fool's school

Many insurance policies are important to have. If you own a home or a car, it's wise to insure them. Health insurance, disability insurance, renters insurance, umbrella insurance and/or long-term care insurance can also be worthwhile.

Not all insurance is necessary, though. Here are some kinds of policies most people don't need:

Mortgage life insurance. It's cheaper to use term life insurance to pay off your mortgage debt, should you perish.

Credit card loss prevention insurance. By law, your losses due to card theft are capped at \$50 per card, so be wary of this.

Disease-specific insurance. Regular health insurance plans often cover medical expenses related to most diseases.

Extended warranties. For nonexpensive items, they're generally not worth it.

Accidental death insurance or flight insurance. You're extremely unlikely to die in an accident or in a plane crash, so term life insurance makes more sense.

Pet insurance. This often costs more overall than it will pay.

Rental-car damage insurance. This is often covered by the policy covering your own car.

Identity-theft insurance. Federal protections can leave you paying little to nothing if your identity is stolen, so this insurance is often needless.

Involuntary-unemployment insurance. This promises to make minimum payments on your credit card or auto loan debt should you become unemployed. Instead, you might maintain an emergency fund that can cover your living expenses for three to six months or more.

Cellphone insurance. These policies are often not worth what they cost you after a year or two of payments.

Even life insurance can be unnecessary for some people. If you're single and childless (or you're a child), for example, and no one depends on your income, skipping it may be best. Life insurance is meant to protect critical income streams.

Learn more about insurance and choosing it well at www.fool.com/insurance center and (the industry-supported) www.iii.org.