

Identity Theft Insurance— Worth the Price?

There is a great range of services offered by the various companies providing some form of identity theft insurance. Some companies will put credit alerts on your report for you. Others will include credit monitoring of your credit report on a regular basis, and the more often they monitor your report for activity, the greater the cost. However, it should be noted that for less than the cost of a credit-monitoring service, you can place a credit freeze yourself on your credit report that negates the need for credit monitoring because no one can get access to your credit report without your PIN.

In addition to credit monitoring and placing a fraud alert on your credit report, some companies, as a part of their services, will also remove your name from various mailing lists or preapproved credit card lists, although, once again, you can do the same things by following the directions in this book at no cost.

Other companies offer additional services to help you in the event that you become a victim and even offer insurance to back up their efforts to protect your identity. However, often the fine print limits the amount of help some companies actually provide in doing the extensive legwork involved in restoring your credit, and the insurance guarantee might be filled with fine print that renders it essentially useless in most instances. It is important to remember that none of these companies promises to reimburse you for assets that you might lose to identity theft, but rather they just reimburse you for expenses you incur in restoring your identity and credit.

Some homeowners' or renters' insurance policies provide as much as \$25,000 of coverage for identity theft for little or no additional cost. A number of major insurance companies also offer separate identity theft policies for relatively small annual premiums of between \$25 and \$195. Finally, many credit cards offer identity theft protection as an optional benefit for cardholders, some at no cost. Some card issuers provide the insurance to all their credit card customers, whereas others provide it either as an additional benefit of their premium

cards or as an inducement to new customers to apply for the particular card providing this benefit.

But regardless of how little the premium might be, do you really need the coverage? Generally, you are not responsible for unauthorized charges beyond \$50, and most companies do not hold you responsible for even that amount. The real cost of identity theft for many people is the cost of the time it takes to have their good name and their good credit restored.

In addition to being sold by credit card companies, stand-alone identity theft insurance is sold by insurance agents, credit bureaus, identity theft protection companies, banks, and credit unions. The better policies monitor multiple sources of information for signs of identity theft, such as your credit report, public records, and even black market websites where identity thieves buy and sell personal information.

Factors to Consider When Buying Identity Theft Insurance

Not all identity theft insurance policies are created equal. Here are some of the things you should consider in comparing identity theft insurance policies:

- What services are provided? Does the policy provide assistance with resolving identity theft or does it merely compensate you for costs you incur in remedying the problem?
- What is the cost? The cost can vary considerably from company to company. Is there a deductible? Deductibles of \$500 or more can reduce the value of the insurance to you if the company is only reimbursing you for your out-of-pocket costs.
- Does the policy cover legal expenses? Not all policies do.
- Does the policy cover lost wages in regard to time lost from work while you are correcting the problems caused by identity theft? Again, not all policies cover lost wages.
- How long are you signing up for? Many people complain about signing up for free trial services and then finding that their membership has been automatically extended without their express approval. Do you really want to work with a company like that?

Compare policies. The services provided and costs of Identity Guard, Trust-edID, LifeLock, American Express ID Protect, Privacy Guard, ProtectMyID by Experian, ID Patrol from Equifax, Debix, Identity Theft Shield, and Identity Guard, to name just a few of the more prominent identity theft insurance companies, vary quite a bit. Go to their websites and compare what they offer.

It is important to remember that despite the impression given by some of their advertising, identity theft insurance does not prevent identity theft, but more often merely makes you aware of identity theft sooner than you would have been aware of it on your own.

In 2010 LifeLock, Inc., one of the most prominent identity theft insurance companies, settled false advertising charges with the FTC and a group of 35 state attorneys general by agreeing to pay \$12 million. LifeLock's advertising implied that it could offer absolute protection against identity theft. The fraud alerts that LifeLock placed on its policy holders' credit reports were of limited use in preventing identity theft, and nothing LifeLock did provided any protection against medical identity theft or employment identity theft. Perhaps even more disturbing was the charge by the FTC that LifeLock gathered sensitive personal information about its customers, but did not, despite its claims to the contrary, encrypt the data, making its own data a good source of information for potential identity thieves.

If you do opt for an identity theft insurance policy, look for one with a low deductible and one that will provide for payment of legal fees, which can be considerable if an identity thief commits crimes in your name. You might instead decide that through the use of a credit freeze, which is infinitely superior to a fraud alert, you can protect your credit report better and more cheaply on your own than through identity theft insurance and that by staggering your free annual credit reports from the three major credit-reporting agencies, Equifax, TransUnion, and Experian, you can efficiently monitor your credit report far more cheaply than through the purchase of identity theft insurance.

What Can You Do for Yourself?

The first thing you can do for yourself is monitor your credit report, free, at each of the three major credit-reporting agencies. This is often the cornerstone of an identity theft insurance policy that you would purchase. You can get your free report from www.annualcreditreport.com. You have a right to a free annual credit report from each of the three major credit-reporting agencies, and although their reports will not be identical, they will be quite similar. It is therefore a good idea to stagger obtaining your free credit reports such that you get one from the first credit-reporting agency and then four months later get one from the second credit-reporting agency and finally, four months after that, get your credit report from the third credit-reporting agency. In this way you will be able to turn your annual free credit report into free reports three times a year.

Identity theft protection services also often provide monitoring of various public records and commercial databases for indications of identity theft; however, the company AllClear ID (www.allclearid.com) offers a free version of their services that will do this for you.

Should You Get Identity Theft Insurance?

There is no right answer for everyone as to whether they should purchase identity theft insurance. For the most part, these companies don't do anything for you that you can't do for yourself. But will you do these things for yourself? If you are willing to pay for the convenience, then identity theft insurance might be for you. If you are willing to take some basic steps to protect yourself from identity theft, you probably don't need identity theft insurance. The choice is yours.