

The Benefits of Buying Identity Theft Insurance

For most people in America, identity theft poses a real risk. If you've ever been granted a credit line, set up a bank account, or applied for government assistance, your identity is valuable. Identity thieves have used stolen personal information to purchase cars, rent apartments, even blackmail people. By some estimates, identity theft occurs about three times a minute in the United States (though that rate may be declining as public awareness increases).

The prevalence of identity theft has spawned a relatively new type of insurance that purports to provide protection against this risk, or at least tries to mitigate its consequences. Is such insurance a good deal, or do the costs outweigh the benefits?

Here are a few factors to consider.

- **It's cheap.** When compared to most types of insurance — auto, home, life — identity theft insurance is relatively inexpensive. Premiums often run \$25 to \$100 a year (depending on the type of coverage), possibly less if you add an identity theft rider to an existing policy.
- **It's preventative.** Policies often offer "identity monitoring." Benefits might include Internet searches for a policy holder's personal information, e-mail and text alerts, and credit monitoring. Of course, you can institute some of these measures for free, without having to purchase insurance. For example, by law you can check your credit report annually with each of the three major credit bureaus.
- **It won't cover direct costs.** If a crook steals your identity and uses your bank account to pay for a European vacation, don't expect reimbursement from your identity theft policy. For that, you'll need to contact your bank or credit card company. In addition, identity theft policies generally don't cover taxes owed or traffic fines incurred by thieves.
- **It will help clean up the mess.** Probably the greatest benefit of identity theft insurance is the advice and expertise of people who understand the process. A victim of this type of crime may spend days off work and hundreds of dollars trying to reclaim his or her identity. A trained case worker can hasten recovery and reduce a victim's stress by working with law enforcement, disputing accounts, and contacting government agencies.

As with any type of insurance, it's prudent to ask lots of questions before signing up. Take time to learn policy limits, find out if there's a deductible, and inquire about coverage for legal fees and lost wages.