5 types of insurance you don’t need

By Gail Johnson | Pay Day – Fri, 1 Aug, 2014 12:44 PM EDT

If you’re prone to “what if?” thinking --- what if my plane crashes? What if the house floods? What if my spouse dies and I can’t pay the mortgage? --- then you’re probably the type who falls for every insurance offer out there. In other words, a sucker.

While certain types of insurance are vital --- medical insurance when you’re travelling to the United States, for instance --- others are simply a waste of money.

Mortgage insurance

The purpose of mortgage insurance is to pay off the mortgage when you die so your spouse and dependents aren’t left with it.

“One of the problems with mortgage insurance is the fact that the debt declines while the premium remains the same,” says fee-for-service financial planner Stevan Dostanic of Ottawa’s Astrolabe Financial. “On average, the cost of a term life insurance policy is typically lower than insuring your mortgage and can be found through many different brokers or group plans for a fraction of the cost.”

As with any form of insurance, reading the fine print is essential. With mortgage insurance, there can be post-claim underwriting that could work against you.

“This means that you could be declared uninsurable when you submit a claim,” Dostanic says. “Term life insurance policy premiums are based on your health at the time the policy is purchased. You know that in the unfortunate situation where a claim does occur, it will be paid out.”

Accidental death insurance

As the name implies, this is designed to cover you if you perish in some kind of fluke or horrific accident. But the numbers aren't in your favour, and catastrophes are covered under other forms of insurance that offer better value.

"Statistically there is a very low chance of dying by accidental means," says Vancouver money coach Anthony Larsen with Money Coaches Canada."This type of insurance should not be viewed as a replacement for proper life insurance .... There's good reason for why it's usually so inexpensive in comparison."

Credit card Insurance:
Also known as payment protection, this insurance is designed to cover your credit card bills if you lose your job, become ill or die.

"The premium is often calculated on the average monthly balance, which means that even if you pay your balance in full you could be paying insurance premiums," Dostanic says. "You are better off with a comprehensive disability policy or term life insurance to protect yourself and your family."

Again, pore over the details. "Many credit card companies limit the instances in which coverage applies for critical illness," Dostanic notes. "Some cancers, surprisingly, do not fall in this category. In certain occurrences the company will only make the minimum payments and will not clear the balance as a whole."

A better strategy is to avoid carrying credit-card balances and put the money you would have spent on credit-card insurance toward your debt.

Travel Insurance
Sure, it would be a real drag if you had to cancel a trip because of some unforeseen circumstances. But typically with travel-insurance policies you're paying a premium for coverage you already have. Check your

existing health, life and employer policies to see what's covered. Some credit cards offer protection, too.

"If you travel frequently, it may be worth your while to get a credit card that offers peripheral travel benefits such as insurance," Dostanic says. "When you pay for your trip with this type of credit card, it often provides you with insurance for trip cancellation or interruption, baggage loss, and vehicle rental.

Life insurance for children

Life insurance is a safety net for your dependents, but buying the same for kids is not needed. Statistically speaking, most kids will grow into adults, and they don't have heirs to worry about. A better option is to put money aside into Registered Education Savings Plan (RESP) or a Registered Retirement Savings Plan (RRSP).