

Credit life insurance may be a poor choice

Credit insurance on consumer loans is big business in the United States. In 1985 nearly 70 million credit insurance policies with coverage of almost \$20 billion were insuring individual borrowers against default on car loans, personal loans and other extensions of consumer credit.

Given such figures, it is tempting to conclude that credit insurance is well understood and highly desired by the borrowing public — a view frequently expressed by credit insurance underwriters and disputed by critics of credit insurance.

types of credit insurance

There are three basic types of credit insurance: credit life, credit accident and health (CAH), and credit property insurance.

Credit life insurance, which may be bought as single or joint coverage, is the most commonly pur-

chased type of credit insurance and provides for loan repayment in the event of the borrower's death.

A&H insurance is designed to repay a borrower's debt during any period in which a borrower suffers a loss of income due to illness or injury.

Credit property insurance is a third type purchased with the proceeds of a borrower's loan or property used for collateral for a loan.

advantages and disadvantages

In addition to providing debt default protection, credit insurance (particularly credit life insurance) has characteristics that distinguish it from other types of insurance and may provide important advantages to some individuals.

Unlike regular life insurance, it is conveniently sold through creditors and can be made available in very small amounts of coverage. The



finances and you

Sid Mittra

premium rate is fixed and does not depend on the size and term of the loan or the insured's health or age. Generally, no proof of insurability is required, and credit insurance cannot be cancelled.

excessive cost?

Lenders argue that premium rates for credit insurance reflect the relatively high processing and administrative costs associated with small policies. They also argue that credit insurance is subject to an "adverse selection" process in which insured

persons of disparate ages and health conditions pay identical premium rates.

Nevertheless, available evidence suggests that credit insurance rates in some states are higher than needed to cover the sum of claims, reasonable lender compensation, and normal profits to insurance underwriters.

abusive sales practices?

In some instances borrowers are exploited — and illegally — pressured into buying the lenders credit

insurance as a condition of receiving credit. The issue of life-in sales of credit insurance has serious implications, given the importance of the function of granting credit in our economy.

Seller coercion, however, may be subtle or explicit and is difficult to measure. As a result, its extent has always been a matter of debate.

the bottom line

For many borrowers, credit insurance can conveniently fulfill a legitimate need for protection against loan default — and at a reasonable price in many states. For others, it may represent a costly and needless "cost."

I suggest that you assess your overall financial status when considering buying credit insurance. If you have sufficient regular life insurance or assets with which to repay existing loans in the event of death

or disability, credit insurance may be a poor purchase.

In addition, credit insurance is less advantageously priced for younger borrowers, who can usually add coverage to an existing term life policy at less expense. For older borrowers or for borrowers who cannot afford or medically qualify for regular life insurance, however, credit insurance may be more worthwhile.

In any event, you should always compare the credit insurance rate being charged with your state's maximum allowable rate. You should also be aware of the benefits and qualifying provision of your credit insurance policy and of your right to refuse a particular lender's credit insurance in favor of other sources.

Sid Mittra is director of certificate program in personal finance at Oakland University and president of Coordinated Financial Planning Inc.

business people

Jeffrey F. Counts has joined Casey Communications Management Inc. of Southfield as director of the newly created editorial services department. Counts comes to the company from the Bay City Times where he was assistant metro editor. He is a graduate of Wayne State University.

Patrick Lukaszik has earned the Chartered Financial Consultant diploma and designation from the American College, Pa. A sales manager at John Hancock Financial Services, Lukaszik has been with the Laurence Mohn Financial Group since 1976.

Susan A. Kluge has been named director of financial services at Group Health Plan. Kluge will be responsible for product pricing, provider contracting and financial/cost analysis for GHP. Kluge is a resident of Troy.

Bruna Pudista has been named executive vice president and director of resources of Anthony M. Franco Inc. Pudista joined the company in 1973 as production manager. Her new responsibilities include the creative direction and management of the graphic services, production, publications and audio-visual departments. She is a resident of Birmingham.

Sidney Kelly of Bloomfield Hills secretary and associated general counsel of Ford Motor Co. will retire Feb. 1, 1987. Kelly joined Ford in 1967 as a senior attorney and later became assistant secretary. He was elected secretary of the company in



Counts



Lukaszik



Kluge



Pudista



Kelly



Courter



Weiskircher

Helmrich

Fitzgerald

Turner

1969 and appointed an associate general counsel in 1974. Before coming to Ford Kelly served as assistant secretary of Wheeling Steel Corp., administrative assistant to U.S. Sen. Jacob K. Javits of New York, assistant attorney general for the State of New York and assistant counsel to former Gov. Thomas E. Dewey of New York.

Kelly was instrumental in establishing and monitoring Ford's Code of Corporate Conduct.

James A. Courter of Bingham Farms has been elected company secretary of Ford Motor Co. He will also continue as an associate general counsel, a position he has held since 1974. He is a graduate of the University of Detroit.

Mary Jo Weiskircher was appointed a senior account executive at Casey Communications Management Inc. Weiskircher will be responsible for the audio-visual and graphic design production aspects for work done for the company.

for assisting in the implementation of day-to-day account activities for a variety of clients. She is a graduate of Michigan State University.

Patrick Fitzgerald of Southfield has joined Casey Communications Management Inc. as account supervisor. He joins the company from Gannett News Service where he was former bureau chief. He will be responsible for organizing, planning and overseeing the implementation of various account activities and projects.

David Turner has been appointed vice president-technical for Lucas Industries Inc. of Troy. Turner was formerly chief engineer-concept development for Elton Corp. of Southfield. Turner is a graduate of Stratchclyde University, Scotland.

Harry E. "Bud" Prime of Rochester was promoted to vice president of project administration at R.E. Dally & Co., Southfield. In his new position, Prime will be responsible for project controls and scheduling systems.

Gayle Champagne was named Fox Associates Inc. manager of the year.

She was recognized with a plaque and a prize. Champagne is the manager of the Detroit office in Troy.

Robert A. Patricia was appointed controller for the on-highway axle division of Rockwell International Corp. of Troy. Patricia will be responsible for developing, implementing and controlling financial plans of the division.

Kenaeeth J. Belke was appointed to vice president of finance at Crittenton Hospital in Rochester. Belke will be responsible for overseeing the hospital's activities of the financial services, payroll and benefits, patient accounting and other departments.

Rosemary K. Harrington of Birmingham joined the advertising and public relations firm of Oberlin & Co. in Farmington Hills. Prior to joining Oberlin & Co., she was art director for a Walled Lake screen printing company.

Richard J. Larkin of Bloomfield Hills has been promoted to manager

of Touche Ross's audit department.

Richard C. Ress has been named manager of the tax department of Touche Ross.

Donnell P. O'Callaghan Jr. of Birmingham has been promoted to manager of the audit department at Touche Ross.

James A. Coburn of Southfield has joined Smith-Winchester Inc. as art director. Coburn was formerly a freelance art director before coming to the advertising agency. He is a graduate of Western Michigan University.

Michael Leitner of Birmingham has joined Metro Rehabilitation Services Inc. as director of Physical Therapy Services. He will be responsible for marketing, equipment purchase and direct patient care.

Laura Esper of Southfield has joined R.E. Launs Inc. as media director. She will be responsible for media analysis for the accounts of Crowley's, Dr. Golden Dental Cen-

ters and Foodland. Esper was previously with Bozell, Jacobs, Kenyon & Eckhardt as an assistant media planner.

Jim Vernor of Birmingham has been promoted to general manager of the Warehouse Club of Allen Park. He has been assistant manager since he joined the company in 1975. Vernor is a graduate of Oakland University.

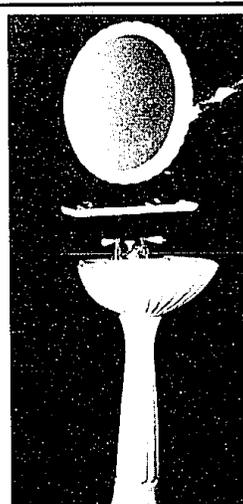
Eric A. Wiltshire is now chairman of the board at Retirement Funding Corp. of Birmingham. Wiltshire, a graduate of the University of Michigan, founded the company in 1966.

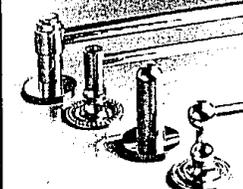
Richard W. Bourgon has been named president of Retirement Funding Corp. of Birmingham. He is a graduate of the University of Detroit Law School.

Lawrence B. Raymond has been elected executive vice president of Retirement Funding Corp. of Birmingham. Raymond joined the company in 1975 following his graduation from the University of Michigan masters program.

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