

Real World Graduation: Question 86: Identity Theft

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Question 86

An insurance company offers insurance against identity theft. It covers you for all losses you incur due to the fraudulent use of your identity, should it be stolen. On average, identity theft cases result in losses of about \$3500. The insurance company offers various types of coverage at various costs described below. What is the best value for the money, considering the risk?

- a) For \$10 per month, there is a \$750 deductible, after which the insurance company will cover all losses up to \$5,000, and will cover 50% of losses above \$5,000 up to \$10,000. The insured is responsible for half the losses between \$5,000 and \$10,000, and all the losses above \$10,000
- b) For \$15 per month, there is a \$1,000 deductible, after which the insurance company will cover all losses up to \$50,000. The insured is responsible for losses above \$50,000.
- c) For \$25 per month, there is a \$3,000 deductible, after which the insurance company will cover all losses up to \$100,000. The insured is responsible for losses above \$100,000.
- d) For \$35 per month, there is no deductible, and the insurance company will cover all losses up to \$75,000, and 80% of all losses thereafter up to \$250,000. The insured is responsible for losses above \$250,000.
- e) For \$50 per month, there is no deductible, and the insurance company will cover all losses up to \$1,000,000

Answer to Question 86

This is a trick question. You are not responsible for any losses incurred due to fraud. All insurance of this type is a rip-off, designed to get you, the chump, to pay some of the losses incurred by banks, credit card companies and other institutions due to fraud, which usually occurs because said institutions are careless with their records of your financial and personal information. "Insurance" of this type is itself a form of fraud.