

## Lien Insurance Policies Should Be Read

THESE days, insurance is an important, perhaps essential, part of our lives. Accidents and catastrophes may happen to anyone or to any business. Some means of spreading the cost, such as insurance, often is the only means of avoiding complete ruination.

An old joke declares that in insurance policies "the big print gives it to you and the small print takes it away." Improvement has been made, but agents still advise customers to read policies.

While serving as executor of the modest estate of a deceased relative in Fort Worth recently, I encountered a lien or mortgage insurance practice that may be legal but which comes close to being fraudulent. It occurred, apparently, because neither the loan officer nor the borrower read all of the application for insurance.

When this relative, a widow, bought a new car in November 1979, she borrowed \$4,643 to pay part of the cost. The Fort Worth bank offered, perhaps insisted, that she take out lien insurance.

The applicant's age was correctly stated on the application as 66, just above large print which limited coverage for anyone 66-70 years old to \$2,500. The bank should not have offered her \$4,643 insurance.

Neither should the applicant have signed the form placed before her, because it included this "Statement of Good Health:"

"I hereby certify that I am not being treated, nor have I been treated for any disease or disorder of the heart, the liver, stroke, high blood pressure, tuberculosis, emphysema, ulcers, paralysis, urinary or kidney disorder, cancer, diabetes, and to the best of my knowledge and belief I am in good health as of the above effective date."

How many people past 40 could honestly make such a statement? Nevertheless, the bank accepted the premium and the insurance company accepted the application. Just a few days past a year later, the policyholder died, with about \$2,400 still due on the note.

The insurance company then (not before) checked with doctors and found that the borrower had been

treated for one or more of the stated ailments and that these apparently were contributing causes to death. It refunded the premium to the bank and declined to pay the balance.

Most people outlive a two-year automobile loan, regardless of health, and the risk to the insurance company was small under such practices as this. If the patient had lived, although ineligible for coverage, the bank and insurance company would have kept the premium.

The incident recalls a story of a man who owned a valuable horse, which died. When a friend offered sympathy, the owner replied that he came out all right, because he had sold 1,000 raffle chances on the deceased horse for \$5 each.

"But how can you raffle off a dead horse?" the friend asked.

"Oh, the guy who won him complained and I gave him his \$5 back," the owner explained. Just like the insurance company mentioned.

It is not known whether any Oklahoma lien policies are like the case mentioned in Texas, but policy holders would do well to read their policies.