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## Consumer News

Julia C. McLaughlin

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## Be Prepared: What to do to Protect Your Home in Case of Disaster

With the recent devastation caused by hurricanes in Florida, Louisiana, and Hawaii, you may wonder whether you have the appropriate insurance to cover your house in case disaster strikes. Steps should be taken now, before catastrophe strikes, to prevent heavy losses after a disaster.

To prepare for the worst as a homeowner, you should:

- 1) Check to see if your homeowner's insurance covers the right kinds of perils. A typical homeowner's policy covers homes damaged by wind, fire, rain, and lightning, but you may need separate insurance for damage caused by earthquakes, floods, and hurricane winds.
- 2) Make sure you have the appropriate level of insurance. Remember that because of rising construction costs, it will cost you more to rebuild your house than it did to build it originally. You will need enough homeowner's insurance to rebuild your house from the foundation up.

However, you do not want to overinsure either. For example, you do not want to insure your house for the amount you paid for it, because

part of that price covers the value of the land, which is usually not affected by a disaster. To divide the value of your house from the value of the land, ask an insurance agent or local builder's association what it would cost to rebuild a house like yours. Or, to get an estimate, you can calculate the number of square feet in your house and multiply that by the per-square-foot cost of construction in your area.

- 3) Make sure the contents of your home are properly insured. You can purchase two types of insurance to cover your personal possessions. "Cash-value" coverage covers the replacement cost minus depreciation and is less expensive. But most experts advise consumers to buy "replacement-cost" coverage, which pays to replace property without regard to its age or condition. Personal possessions are covered up to the limits set in the policy, usually 50 to 75 percent of the coverage of the home itself. However, there is limited coverage for valuables like jewelry, furs, and silver unless you purchase a rider to your policy, or a separate policy, called a floater.
- 4) Take a home inventory. "Study after study shows that normally policyholders . . . don't remember everything or don't attach a value to everything the policy replaces," said Bill Sirola of the State Farm Insurance Co. To get the full value from your policy, you will have to show what has been lost in your home. The best way to do this, insurance companies say, is to make a video or take photographs of everything in your house. "The more documentation you have of your property, the better your insurance company will be able to handle your claim," said Michael Riney, of the Continental Insurance Company. ♦

## Major Drug Makers Enter Generic Market

In the last several years, consumer groups and Congress have criticized major drug manufacturers for the high prices of the drugs for which they hold the patents or other exclusive rights. But recent moves by the major drug companies to enter the generic market may help relieve the financial burden on consumers.

Patients will soon be able to get prescription drugs manufactured by the major drug companies for the reduced price of generic drugs. The move comes at a time when many of the patents on prescription drugs are expiring, making the drugs ripe for competition from smaller generic drug companies.

In the past, consumers may have been wary of asking for generic drugs because the quality and effects sometimes differ from brand name drugs. Further, generic drug companies' reputation suffered in the last several years when they admitted to submitting false test results to the Food and Drug Administration.

But the current move by major drug manufacturers means consumers will be able to ask for the lower priced drugs without having as many concerns about quality control. In fact, many consumers will be able to receive the exact same drug they were already taking — the only difference being the name, color, and lower price.

However, some industry analysts worry that the big companies are entering the market now, several years before the patent on their brand names expire, so they can control the generic market early on. In the past, the first generic drug to market usually captured the largest market share. In the long run, that means the price of the generic drug will not drop as significantly as it would have without the big company competition.

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Professor Stephen W. Schondelmeyer, a pharmaceutical economist at the University of Minnesota, warned that the trend should be monitored "to see that it doesn't become a market control strategy rather than a cost control strategy." ♦

### This Is Not Your Father's Credit Card

Say goodbye to the traditional haggling with a car dealer to get the best price on a new car: The country's largest automobile maker has come up with an easier way to get a lower price.

In an effort to lure consumers to buy American cars, General Motors unveiled a new credit card last month which offers a rebate on the purchase or lease of a new car or truck. By using the new GM MasterCard, consumers receive a 5 percent rebate, up to \$500 a year, to be used towards a new car purchase.

General Motors is not alone with its entry into the credit card business. Also last month, GE Capital introduced a

new credit card which offers discounts at twenty-four participating merchants, including Kmart, Macy's, Northwest Airlines, Sprint, and Hertz.

Both cards can offer significant values for some consumers, analysts say. The GM card has no annual fee and carries a 16.4 annual percentage rate, which is below the industry average of 18 percent. The credit can be accumulated for up to seven years for a maximum of \$3,500. GM's hot-selling Saturn models are not included in the offer, however.

Credit card analysts have praised General Motors for its innovative idea, but warn that the new concept in credit might not be appropriate for all consumers.

"It's a very intriguing card, especially if you're planning to buy a GM car," said Kurt Peters, editor of Credit Card News. "The incentive seems pretty powerful, and it's a great way to get people to be loyal to your card."

However, Peters warned that to receive the maximum \$3,500 rebate, a consumer would have to charge \$10,000 a year for seven years. That is about five times the amount most Americans charge in a year.

If your charges are closer to the \$2,000 average of most Americans,

and you do not pay off your balance each month, look elsewhere for a better deal on a credit card, advised Robert McKinley of RAM Research, a Maryland research firm which tracks the credit card business. Several credit cards offering no rebates, discounts, or other frills charge a lower interest rate.

"For consumers, the idea is not to get tangled up in the benefits," McKinley said. "Keep your eye on the bottom line, which is interest rates, annual fee and grace period. The rest could just get too confusing."

The new GE Capital Card, which has a \$25 annual fee and a 18.4 annual percentage rate, offers three kinds of rebates. All customers, regardless of how often they use their cards, will receive every three months a \$10 certificate from each of twenty of the merchants in the program good for purchases of their products.

Another rebate will come from GE Capital, which will issue a \$10 check, good at any participating store, for every \$500 charged on the card, no matter where the charges occurred. In addition, card holders will receive extra rebates on purchases of General Electric appliances and purchases from three of the affiliated merchants: HBO, Cinemax, and Sprint. ♦

## Looking for a Good Deal?

A monthly publication called **CardTrak** lists institutions that offer credit cards with no annual fee and below-average interest rates.

A copy of the publication is available for \$5 from

**CardTrak**  
**Box 1700**  
**Frederick, MD 21702**