

Will your mortgage insurance pay out if you die?

By Doreen Smith - Kelowna Capital News - April 30, 2008

Do you have mortgage insurance to cover your mortgage?

If a person has a mortgage on their home, they may have been talked into getting mortgage insurance.

You think this provides peace of mind because if something happens and there is a death, then the mortgage is paid off, right?

Marketplace is a CBC television program providing Canadians with consumer advice.

Marketplace did a segment earlier in 2008 about several families who owned bank provided mortgage insurance that did not pay out on the death of the plan holder. Check out this link to the segment: "http://www.cbc.ca/marketplace/in_denial/" http://www.cbc.ca/marketplace/in_denial/

Credit /mortgage insurance sold through the bank is usually not underwritten until a claim is made, and they may determine you are not eligible for a payout, even though you have been paying premiums for months or years.

A claim may be denied because an investigation of your medical records indicates you once had high blood pressure or high cholesterol that you did not disclose.

A past experience with pain in your chest reported to your doctor or an emergency hospital visit may also result in the mortgage insurance not paying the claim.

There are many exclusions and terms associated with credit insurance policies.

What does your family do when the debt does not get paid out under mortgage/credit insurance?

Banks, credit unions and mortgage brokers sell mortgage insurance because it is a profitable business for them to sell this product.

Most provinces do not allow financial institutions to sell life insurance and that is why they offer you mortgage insurance.

Mortgage insurance is a one size fits all product.

There are no discounts for non-smokers or good health.

It provides a decreasing amount of insurance coverage even though your premiums remain the same.

This is a very expensive type of insurance.

And finally if the insurance does pay out, it pays the bank, your beneficiary receives nothing.

Can you cancel credit insurance at any time? Yes, of course you can.

Individual life insurance from an insurance broker, is based on the coverage amount you choose, the term you choose, and most people qualify for lower premiums based on their health.

Non-smokers and women pay a lower premium.

Use a life insurance broker who has access to a full range of insurance companies to choose from and they can get the best premium rates for you.

Insurance experts recommend it is better to review your life insurance needs and buy one life insurance policy than to purchase multiple smaller policies.

If you have questions, or you want to pass this valuable information on to family and friends, I am happy to provide additional information as a broker for the major life insurance providers in Canada.

I tell client's to protect themselves and their family, and to ensure they understand mortgage/credit insurance may not pay out any amount upon death. If you clip one newspaper article this year to give to a friend or family member, make it this article on mortgage credit insurance, verses life insurance.

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