Mortgage Insurance: Not Necessarily as Advertised

Jun 07 2021

It's all part of the process when you are arranging a mortgage for your new home. The bank employee inevitably asks if you would like to purchase mortgage insurance. No one likes to think about their own mortality; however, we all know deep down that stuff happens. People contract terminal illnesses or suffer debilitating or fatal accidents.

Knowing that your loved ones will be taken care of can provide some peace of mind - so you decide to accept the bank's offer for mortgage insurance. But beware the policy may actually not provide the protection you are expecting.

Real-Life Tragedy

A few years ago, CBC Marketplace [1] did an in-depth report (*In Denial*) on how many **bank insurers were denying mortgage insurance payouts** because of technicalities that are only discovered when the claims are made. How can this happen? You see, with bank mortgage insurance, even if someone pays premiums for years, they may never have actually qualified for the mortgage insurance. A bank will happily accept insurance premiums for years but when a claim is made, for a variety of reasons, the person insured could be deemed a bad risk. It's called **post-claim underwriting** and this is the number one reason why too many bank mortgage insurance policy claims are denied.
*/

In the CBC Marketplace story, one widow was denied benefits due to an incorrect response to a blood pressure and cholesterol question by the deceased husband. It appears that his doctor had written about high blood pressure and cholesterol in the patient's chart. The widow swears that neither she nor her husband was ever told about this condition. The husband became ill from cancer and eventually succumbed to his illness. The claim was denied due to the blood pressure question - even though it has nothing to do with the cancer! This is only one of many tragic stories revealed by CBC in their Marketplace broadcast.

At first glance, the questions on mortgage insurance applications appear quite straightforward. However, when you look closer, some questions are extremely difficult to answer correctly. A typical question may read "Have you been tested for cancer in the past 24 months?" Now most people who haven't specifically gone for cancer testing may respond with a "NO" answer. However, if your annual physical contains a prostate exam or mammogram, it can be construed as a cancer test. And guess what happens that's right, Claim Denied.

Speak to an Insurance Specialist

If you are looking for insurance to cover a mortgage, speak with an insurance specialist. Unlike bank mortgage insurance, independent insurance professionals offer insurance where the underwriting is completed before a policy is issued, not after a claim is made.

For many situations, the insurance companies will consult with your doctor before the policy is issued, to ensure that there are no surprises down the road. Be careful with your family's future and do your homework. Not all insurance policies are the same.

Want help with your mortgage insurance needs?

Contact our office! [2]

Tags: insurance planning [3]

Source URL: https://northstarwealth.ca/e-newsletter/2021/2021-06/article-2.htm

Links
[1] https://www.youtube.com/watch?v=qe61HVGIwUo [2] https://northstarwealth.ca/contact-us [3] https://northstarwealth.ca/taxonomy/term/10