

Credit card balance insurance

From: Financial Consumer Agency of Canada

On this page

- [What to know about credit card balance insurance](#)
- [Find out if you have credit card balance insurance](#)
- [Buying credit card balance insurance](#)
- [Cost of credit card balance insurance](#)
- [How to make a claim](#)
- [Cancelling credit card balance insurance](#)
- [Making a complaint about credit card balance insurance](#)

What to know about credit card balance insurance

[Credit card balance insurance can be expensive. It's often marketed and sold in a way that does not take all your needs and circumstances into consideration. It may not offer you the best insurance coverage.](#)

[Credit card balance insurance, sometimes known as balance protection insurance, is a type of credit and loan insurance which pays out your outstanding balance \(subject to any limits in the policy\) or makes monthly payments on your behalf to your credit card issuer if your income is interrupted by unforeseen events.](#)

[If you already have enough term life insurance, disability insurance, job loss insurance, critical illness insurance, and rainy-day rainy-day funds in place, you may not need credit card balance insurance. However, if you wouldn't have enough money to continue making your minimum monthly payments on your credit card if your income was reduced or interrupted by unforeseen circumstances, balance protection insurance is an option to consider.](#)

[Credit card balance insurance is not sold by a licensed insurance representative; therefore it does not include a full analysis of your financial circumstances and insurance protection needs as financial institutions are not legally permitted to offer consumers advice when offering credit card balance insurance or other types of credit and loan insurance. As with the purchase of any type of insurance coverage, you should consider whether it is appropriate insurance coverage for you.](#)

Formatted: Font: +Body (Calibri), 12 pt

Formatted: Font: +Body (Calibri), 12 pt

Formatted: Font: +Body (Calibri), 12 pt

Formatted: Font: +Body (Calibri), 12 pt

Formatted: Font: +Body (Calibri), 12 pt

Formatted: Font: +Body (Calibri), 12 pt

Formatted: Font: +Body (Calibri), 12 pt

Formatted: Font: +Body (Calibri), 12 pt

You may be offered credit card balance insurance when you apply for a credit card, or are activating a credit card. ~~This is also called balance insurance. Balance insurance is a type of credit and loan insurance.~~

~~Credit card balance insurance can reduce the burden of making payments to your credit card issuer and help protect your good credit rating, should your income be interrupted by unplanned circumstances such as job loss, disability, critical illness, or death.~~

~~Credit card balance insurance commonly includes the following types of coverage may help make credit card payments if you:~~

- ~~• job loss insurance lose your job~~
- ~~• disability insurance become injured or disabled~~
- ~~• become critically ill illness insurance~~
- ~~• die life insurance~~

The amount and the duration of benefits vary depending on the credit card issuer. For example, if you lose your job or become injured or disabled, ~~credit card~~ balance insurance ~~may pay a set percentage of your credit card balance per month (for example 5% to 240% of your balance) may pay 5% to 10% of your credit card balance~~ up to a maximum ~~amount amount every month for a period of 10 to 24 months~~. Or, if you become critically ill or die, balance insurance ~~will may~~ pay off your balance in full or up to a maximum amount.

~~Like with all types of insurance, it is important that you read the your certificate of insurance for the credit card balance insurance to ensure that you fully understand the coverage provided, and any limitations and exclusions. Ask questions if you don't understand what's covered. credit card balance insurance has important limiting definitions and exclusions on related to the coverage it provides. For example, under some forms of certificates of insurance for credit card balance insurance policies, not all types of cancer are considered a critical illness. As with any type of insurance that you're considering purchasing, you should rRead your insurance certificate policy carefully and ask questions if you don't understand what's covered.~~

Formatted: Font: +Body (Calibri), 12 pt

Formatted: Font: +Body (Calibri), 12 pt

Formatted: Font: +Body (Calibri), 12 pt

Commented [KS1]: We prefer to stay away from discussing credit rating

Formatted: Font: +Body (Calibri), 12 pt

Formatted: Font: +Body (Calibri), 12 pt

Commented [KS2]: redundant of paragraph prior -- could remove one or the other

~~For some people, -- depending upon how much coverage they have in place for life insurance, disability, job loss and critical illness, -- they may not feel~~ may determine that they do not need credit card balance insurance. This is a personal decision as everybody's needs and circumstances are unique. Credit card balance insurance might not be suitable or necessary right for you if you have already have enough term life insurance, disability insurance, job loss insurance, critical illness insurance, and rainy day funds in place coverage from another insurance policy. Compare the coverage you would get with other insurance options. For example, a term life insurance policy, disability insurance policy or your employer's insurance plan may already provide you with similar coverage.

Formatted: Highlight

Formatted: Highlight

Formatted: Highlight

Formatted: Highlight

Formatted: Highlight

Formatted: Highlight

Formatted: Highlight

Commented [KS3]: Recommend against using this language as we have no way to know what the customer would use the insurance for (align with the CLHIA's recommendation)

If the FCAC absolutely wants to include it, let's pose alternative language, which I have included in highlighted text

If you have enough savings to pay your balance, or if you pay your balance in full each month, you may not need credit card balance insurance.

Read the terms and conditions of the credit card balance insurance certificate. If you do not understand what is or isn't covered, ask questions. ~~and ask questions to understand what is and isn't covered.~~

Commented [KS4]: the three titles here appear to be redundant

Understand the terms and conditions of credit and loan insurance before buying/agreeing to be enrolled in credit card balance insurance.

Commented [KM5]: This will link to a new section: "Understand terms and conditions of credit and loan insurance" on "Credit and loan insurance." (<https://www.canada.ca/en/financial-consumer-agency/services/insurance/credit-loan.html>)

Understand your rights and responsibilities before you buy/agree to be enrolled in credit card balance insurance.

Find out if you have credit card balance insurance

To find out if you have credit card balance insurance you can:

- check your credit card statement for balance insurance listed under optional products
- check your credit agreement for any optional products
- and their cost
- contact the financial institution that provides your credit card to ask if you have balance insurance

Find out more about how to check for credit and loan insurance

Commented [KM7]: This will link to a new section: "Find out if you have credit and loan insurance" on "Credit and loan insurance" (<https://www.canada.ca/en/financial-consumer-agency/services/insurance/credit-loan.html>)

Buying credit card balance insurance

You can sign up for credit card balance protection insurance in person, over the phone or online through:

- banks
- credit unions
- caisses populaires
- stores [and other companies](#) that offer credit cards

You can sign up for credit card balance insurance when you are activating a new credit card. Or, you can add it at any time after you've received your card.

If you have more than one credit card, you must [enrol in credit card balance insurance separately](#) ~~buy a separate insurance policy~~ for each card.

When you get [credit card](#) balance insurance, federally regulated financial institutions, such as banks, must give you certain information ~~both before you agree to purchase the coverage and after you have been enrolled in the coverage~~ [both before and after you have been enrolled in the coverage](#). ~~policy takes effect.~~

Learn more about eligibility and applying for credit card balance insurance, a type of credit and loan insurance.

[Understand your rights and responsibilities when you buy credit card balance insurance.](#)

Cost of credit card balance insurance

Credit card balance insurance may be more expensive than other insurance options. [However, for other insurance options such as term life insurance, the cost will pricing may depend But that will depend upon your age, gender, and lifestyle habits such as whether you are a smoker or not.](#)

[For credit card balance insurance, you usually pay a monthly fee called a premium. You usually pay a monthly fee for credit card balance insurance. This is also called a premium.](#) Premiums vary from one financial institution to another. The amount of the premium depends [upon](#) your credit card balance. The higher your balance, the higher your premium. Your premium will change each month depending on the amount you owe. Your premium will be charged to your credit card and will appear on your monthly credit card statement.

Formatted: Underline

Commented [KM(8): This will link to "Eligibility" section on the page "Credit and loan insurance" (<https://www.canada.ca/en/financial-consumer-agency/services/insurance/credit-loan.html>) This will be a new section on Credit and loan insurance.

Commented [KS9]: Is this a link?

Commented [KS10]: This is not correct for balance insurance. Is this intended to say that the "other products" may be more expensive

Premiums are ~~either~~ calculated either based upon your monthly balance or as an average of your daily balances. This means that even if you pay off your credit card in full every month, you may still be charged a premium if your card had a balance on it at the end of any day during the previous month.

Example:

Say you have signed up for credit card balance insurance and your monthly premium is \$0.95 per \$100 you owe. This example shows how your premium would be calculated for the month of December, which has 31 days, using the average daily balance method.

Step 1: Find out the total amount of daily balances

Number of days	Balance amount for that number of days	<u>Interim Average Sum of Daily Balances</u>
5	\$1000	\$5,000
5	\$2000	\$10,000
21	\$4000	\$84,000

Commented [KS11]: These balances are high. It would be more appropriate to use a more average credit card usage

An average daily balance is likely \$2000-2500

Total of Interim Average Daily Balances \$99,000

Step 2: Find out the average daily balance

Take the Ttotal of Interim Average Daily Balances and divide it by the number of days in the month to get the average daily balance:

\$99,000 / 31 days in December = \$3193.54 is the average daily balance.

Step 3: Find the cost of credit card balance insurance for the month of December:

Next, you multiply the average daily balance by the premium rate: $\$3193.54 \times 0.0095 = \30.33 .

In this example, you'd pay \$30.33 for your monthly premium. If your average daily balance amount stays the same for the year, you'd pay more than \$360 in insurance premiums for the year.

Example of benefits you may get from credit card balance insurance

Here are examples of benefits that may be included in a [credit card](#) balance insurance policy. The examples assume you are eligible [to make a](#)~~for the~~ claim. Keep in mind there's usually a maximum amount of benefit that you'll be able to claim.

Example 1: Credit card balance insurance benefits if you lose your job

Suppose you have a credit card balance of \$1,000. You pay 19% annual interest on your balance, which means you'll be charged [about](#) ~~\$165.83~~ per month in interest.

If you lose your job:

- your insurance company pays [105%](#) of your outstanding credit card balance, or ~~\$1050~~ a month, for [up to 1012 months \[\\(until your entire insurance balance is paid in full\\)\]\(#\)](#)
- [your balance](#) at the end of the first month after the claim would be ~~\$900.00~~ [65.83](#)
- your balance at the end of ~~12~~ [10](#) months, if you make no additional purchases, would be ~~\$348.70~~ [658.91](#)

Example 2: Credit card balance insurance benefits if you become critically ill

Suppose you have a credit card balance of \$1,000. You pay 19% annual interest on your balance, which means you'll be charged [about](#) ~~\$165.83~~ per month in interest.

If you become critically ill:

- your insurance company pays [an amount equivalent to the outstanding balance, on the date of loss, or](#) ~~\$1,000~~ [your entire outstanding credit card balance of \\$1,000](#)
- ~~your credit card balance, if you make no additional purchases, would be zero~~

Commented [KS12]: 10% or 20% would be industry standard

Commented [KS13]: This would be 10 months if 10%

Commented [KS14]: If they want to include the "balance" figures, they need to also include how the interest is calculated (compounded daily? Monthly?)

Commented [KS15]: 10 months if 10%
5 months if 20%

Cancelling credit card balance insurance

You can cancel credit card balance insurance at any time. Check your [certificate of insurance policy](#) for the steps to take.

~~Usually you need to contact the insurance company. Keep in mind that the insurance company is often a different company than the financial institution that issued your credit card. Some financial institutions offer “free look” periods for balance insurance. There’s often a 30-day “free look” period after your coverage starts. Since you did not receive a financial needs analysis at the time you agreed to be enrolled in the credit card balance insurance, this period provides you with the opportunity to consider the purchase in light of your financial needs and circumstances.~~

Commented [KS16]: We typically use the term "review period". The CBA uses "free look" – may want to discuss terminology with the group

~~During this time, you can cancel the policy and get a refund for any premiums you’ve paid. After 30 days, your financial institution will start charging you the premiums every month.~~

~~If you cancel credit card balance insurance within the “free look” trial period, you’ll be refunded the premium you paid.~~

~~Some financial institutions offer trial periods for balance insurance. There’s often a 30-day trial period after your coverage starts. During this time, you can cancel the policy and get a refund for any premiums you’ve paid. After 30 days, your financial institution will start charging you the premiums every month.~~

It’s best to understand [credit card](#) balance insurance and whether it’s right for you before agreeing to ~~be enrolled in purchase~~ it, even for a [“free look” trial](#) period.

[Find out more about cancelling your insurance.](#)

Making a complaint about credit card balance insurance

Federally regulated financial institutions, such as banks, can’t charge you for credit card balance insurance if you don’t agree to it.

If you notice a credit card balance insurance charge on your credit card statement, but you didn’t sign up for it, contact the [insurance company at the phone number provided in your certificate of insurance](#). ~~financial institution that issued your credit card.~~

[Find out the steps to take to make a complaint.](#)

[Make a complaint about your insurance provider.](#)

Related links

- [Determining your insurance needs](#)
- [Credit and loan insurance](#)
- [Disability insurance](#)
- [Life insurance](#)