

If your bank offers this product, the answer should be a hard no



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Banks know that the financial weight of a [mortgage](#) can scare people into thinking about what happens if they die suddenly, or develop a health condition that prevents them from working.

That's why they make this sales pitch to their mortgage customers: Buy our life, disability and/or critical illness [insurance](#) to protect you and your loved ones if you can't pay your mortgage. You should definitely consider insurance like this, but not the kind your bank sells. Instead, buy it from an insurance company.

Several reasons to not to buy bank mortgage insurance can be drawn from the experience of personal injury lawyer Nainesh Kotak. Mr. Kotak gets called by people who bought mortgage life, disability or CI insurance from a bank and had their claims denied.

A big reason for these denials is that only cursory attention is made to your medical background during the sales process by banks. "They rely solely on six or seven questions that are quite confusing, or they're quite broad," Mr. Kotak said. "So, there's a lot of room for denied claims."

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CI and disability claims can be denied when an insurer decide the medical issue in question existed before you bought coverage. With a traditional insurer, a detailed questionnaire must be completed before coverage is set, and a medical exam may be required as well. No insurance offers guaranteed payouts when you make a claim,

but Mr. Kotak believes you have a better chance of success when dealing directly with an insurance company and not your bank.

Another reason cited by Mr. Kotak for passing on bank-sold mortgage insurance is that the money paid out in a successful claim goes back to the bank to cover your mortgage. You don't have the flexibility to use the money however you choose, as you would with a policy from an insurance company.

Also, the premiums for [mortgage insurance](#) from a bank stay level, even as the balance owing on your mortgage declines. When you buy a policy from an insurance company, you choose a level of coverage that remains constant. Mr. Kotak said his research has found that the cost of coverage from a bank or an insurance company are comparable.

Term life insurance, CI and disability are widely available from life and health insurance companies, and comparative quotes can be found online. Mr. Kotak said banks selling insurance have customers in a vulnerable spot. They've just taken on a big debt and are offered a way to protect their families by buying coverage.

"People will go and do it," Mr. Kotak said. "But I don't think it's a wise investment."

Negative Article in Online Globe about Bank CPI

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 1 attachments (23 KB)

October 31 2023 Rob Carrick Online Article--Responses.docx;

Hello CAFII Board, EOC, and Media Advocacy Members:

Please find attached a copy of a negative online article that appeared in yesterday's globe.

The article is not in today's print edition. It is a fairly light article quoting one source, a personal injury lawyer known in the industry, and its major claim is that bank CPI does not pay out claims to the extent that insurance company CPI does. The article actually says that the cost of bank or insurer CPI is similar: "Mr. Kotak said his research has found that the cost of coverage from a bank or an insurance company are comparable."

We are in discussion internally about the best response.

I have also attached the online responses to the article which are mostly agreeing with the article, but which do include comments supporting CPI including from one person whose brother had it and made a claim that paid off his mortgage. My copy of the online responses is not formatting well, but the content can be read.