

CAFII Blog

CPI: A Safety Net for Canadian Homeowners on a Budget

By Keith Martin, Executive Director, CAFII

For many Canadians, owning a home is a cornerstone of financial security. However, with rising costs of living, unexpected events like disability can disrupt this stability, especially for low-income households. This is where Credit Protection Insurance (CPI) provides a crucial financial safety net.

Research conducted by LIMRA on behalf of the Canadian Association of Financial Institutions in Insurance (CAFII) earlier this year found that 55% of Canadian homeowners with mortgages have some form of CPI. This statistic indicates that 45% of Canadian homeowners may be underinsured particularly for those who might struggle financially if faced with a disability.

Many low-income families have limited financial resources and little room for unexpected expenses. A disability can be financially devastating, making it difficult to keep up with mortgage payments. CPI addresses this by covering mortgage payments up to the policy premium during a disability. CPI pays the monthly mortgage directly to the bank, providing critical support to families who lack sufficient savings or prefer to preserve their savings for future plans instead of using them to pay down debt.

Having a safety net in place allows budget-conscious homeowners to face the future with more confidence. CPI acts as a shield against the financial hardship that a disability can bring, safeguarding their homeownership and financial stability. Knowing they have this protection enables homeowners to focus on their recovery and other important aspects of life.

Generally, employer-paid disability benefits cover around 66% of an employee's income, leaving a shortfall of 34%. This gap can create financial strain, especially when you have mortgage payments to consider. Disability insurance can bridge this gap, ensuring that your homeownership journey remains secure even if you're unable to work. By exploring your CPI options, you can protect your most valuable asset – your home – and maintain peace of mind in the event of a disability.

Credit Protection Insurance is more than just a financial product; it is a lifeline for many Canadian homeowners. Particularly for those on a tight budget, CPI offers a critical layer of protection against the uncertainties of life.