

Creditor Insurance Landscape in Canada

The following illustrates the scope of creditor insurance offerings in Canada across the Canadian banks that are members of CAFII.

Some consumer offerings include available ‘bundles’ of insurance (e.g. life + CI bundled as part of a combined offering). This varies by bank and underlying financial instrument (i.e. Mortgages, Personal Lines of Credit, Personal Loans).

For each type of underlying financial instrument, we have detailed:

- The types of creditor protection available (Life, Critical Illness (CI), Disability and Job Loss (or Loss of Employment Insurance))
- The underwriters supporting such offerings

	Mortgage				Personal Line of Credit				Personal Loan			
	Life	CI	Disability	Job Loss	Life	CI	Disability	Job Loss	Life	CI	Disability	Job Loss
Bank of Montreal	SL	SL	SL	SL	SL	SL	SL	SL	SL	-	SL	-
CIBC	CL	CL	CL	CL	CL	-	CL	-	CL	-	CL	CL
National Bank	AVBN	AVBN	AVBN	-	AVBN	AVBN	AVBN	-	AVBN	AVBN	AVBN	-
Royal Bank	CL	CL	CL	-	CL	CL	CL	-	CL	CL	CL	-
Scotiabank	CL	CL	SL	-	CL	CL	SL	-	CL	CL (auto loans only)	CL	CL (auto loans only)
TD	CL	CL	-	-	CL	CL	-	-	CL	-	CL	-

Underwriter Acronyms: AVBN-Assurance Vie Banque Nationale; CL-Canada Life; SL-Sun Life

Mortgage Insurance

Key features of Mortgage Creditor Insurance in Canada:

- ✓ Mortgage Creditor Life insurance is available through all banks
- ✓ Critical Illness coverage is offered by all banks and typically bundled with Life coverage. Only one bank offers this on a standalone basis.
- ✓ Job Loss and Disability coverage deemed optional 'add-ons' where both coverage types may not necessarily be offered by a particular bank
- ✓ All banks offer a 30-day 'trial period' (i.e. premium refunded if customer cancels within the first 30 days)
- ✓ **Age Eligibility:** Assessed at the product level (Life, CI, Disability, Job Loss), but generally 18 – 64 with a maximum termination age of 70. Some banks restrict age eligibility for CI and Job Loss products to a maximum of age 54 or 55.

Life Insurance

- **Benefit Payable:** Outstanding balance on death, up to an **overall maximum** (ranges from \$500,000 to \$1,000,000; median of \$750,000)
- **Medical pre-existing condition exclusions approach differs by bank.** Amongst CAFII participants:
 - Two banks do not apply a pre-existing condition exclusion;
 - Two banks apply an exclusion only when mortgages are refinanced (whole amount or additional amount);
 - One bank applies exclusion only if the insured person was not required to answer any health questions on application;
 - One bank applies a pre-existing condition to all participants.

Critical Illness Insurance

- **Benefit Payable:** Outstanding mortgage balance at the date of diagnosis of a covered critical illness, up to an **overall maximum** (generally \$125,000 to \$500,000; median of \$475,000; one bank is an outlier with a maximum of \$1 M.
- **Covered Illnesses:** The illnesses typically covered are cancer, heart attack and stroke.

Disability Insurance

- **Positioning of offerings:** With the exception of one participant, all offer Disability insurance on mortgages. Two approaches: (i) Two banks bundle the offering with life insurance; (ii) Three banks offer it as a standalone product.
- **Benefit Payable:** Monthly mortgage payment, generally for up to 24 months. Total dollar maximum payment of \$2,000 to \$3,500; median \$3,000
- **Waiting Period:** Benefits payable after a waiting period which typically is 60 consecutive days; One bank has a 30-day waiting period

Loss of Employment / Job Loss Insurance

- **Positioning of Offerings:** Only two banks offer this protection, on a bundled basis with Disability protection
- **Benefit Payable:** Monthly mortgage payment for up to 6 months, up to a maximum dollar amount of \$3,000
- **Waiting Period:** Benefits payable after a waiting period of 60 days

Personal Line of Credit Insurance

Key features of Personal Line of Credit Insurance in Canada:

- ✓ Life insurance is included in scope of all product offerings
- ✓ Critical Illness is offered by all but one CAFII participant bank, and is always bundled with life insurance.
- ✓ Disability insurance is offered by all but one CAFII participant bank. Banks are split between bundling this with life insurance, or offered on a standalone basis.
- ✓ Only one bank offers Job Loss insurance.
- ✓ All banks offer a 30-day 'trial period' (i.e. premium refunded if cancelled within 30 days)
- ✓ **Age Eligibility:** Assessed at the product level (Life, CI, Disability, Job Loss), but generally 18 – 64 with a maximum termination age of 70. Some banks restrict age eligibility for CI and Job Loss products to a maximum of age 54 or 55.

Life Insurance

- **Benefit Payable:** Outstanding balance on death, up to an **overall maximum** (typically ranging from \$300,000 to \$1,000,000; median \$600,000).
- **Medical Pre-existing Exclusion:** All banks have some **type of Pre-existing condition exclusion**
- **Non-evidence Maximum:** For all banks, approval for coverage is automatic up to a prescribed threshold (no health questions required) that ranges from \$50,000 to \$150,000

Critical Illness Insurance

- **Benefits Payable:** Outstanding balance at date of diagnosis of a critical illness, up to a **maximum** of \$300,000 to \$1,000,000; median \$450,000).
- **Covered Illnesses:** The illnesses typically covered are cancer, heart attack and stroke.

Disability Insurance

- **Benefits Payable:** Monthly payment, generally up to 24 months and a dollar maximum of \$1,500 to \$5,000 (median of \$3,000)
- **Waiting Period:** Benefits payable after a waiting period which typically is 60 consecutive days; one bank with a 30-day waiting period

Loss of Employment / Job Loss Insurance

- **Benefits Payable:** **Monthly** payment for up to 6 months, to maximum of \$1,500 (revolving LOC) or \$3,000 (instalment LOC)
- **Waiting Period:** Monthly benefits are payable after a waiting period of 60 days

Personal Loan Insurance

Key features of Personal Loan Insurance in Canada:

- ✓ Life insurance is included in scope of all product offerings
- ✓ Critical Illness is offered by three CAFII participant banks, and is always bundled with life insurance.
- ✓ Disability insurance is offered by all CAFII participant banks. Banks are split between bundling this with life insurance, or offered on a standalone basis.
- ✓ Two banks offer Job Loss insurance.
- ✓ All banks offer a 30-day 'trial period' (i.e. premium refunded if cancelled within 30 days)
- ✓ **Age Eligibility:** Assessed at the product level (Life, CI, Disability, Job Loss), but generally 18 – 64 with a maximum termination age of 70. Some banks restrict age eligibility for CI and Job Loss products to a maximum of age 54 or 55.

Life Insurance

- **Benefit Payable:** Outstanding balance on death, up to an **overall maximum** (typically ranging from \$150,000 to \$500,000; median \$250,000).
- **Medical Pre-existing Exclusion:** All banks have some **type of Pre-existing condition exclusion**
- **Non-evidence Maximum:** Amongst CAFII participants:
 - Three banks do not require a health questionnaire (automatic approval regardless of amount);
 - One bank provides automatic approval on amounts \$100,000 or less;
 - One bank provides automatic approval on amounts \$300,000 or less;
 - One bank provides automatic approval on amounts \$50,000 or less and under age 55;

Critical Illness Insurance

- **Benefits Payable:** two banks pay the outstanding balance at date of diagnosis of a critical illness, up to a **maximum** of \$150,000 or \$500,000; whereas one bank pays a monthly benefit payment of up to a maximum of \$3,500.
- **Covered Illnesses:** The illnesses typically covered are cancer, heart attack and stroke.

Disability Insurance

- **Benefits Payable:** typically pays the monthly payment, generally up to 24 months and a dollar maximum of \$1,500 to \$3,000 (median of \$2,000), however two banks do not have a maximum monthly limit, but rather an overall maximum limit of \$150,000 or \$200,000.
- **Waiting Period:** Benefits payable after a waiting period which typically is 30 or 60 consecutive days (market is split)

Loss of Employment / Job Loss Insurance

- **Benefits Payable:** One bank pays the interest payable on the loan until the person is no longer eligible for job loss benefits up to a maximum of 6 months; one bank pays the monthly payment for up to 6 months, to maximum of \$3,500.
- **Waiting Period:** Benefits are payable after a waiting period of 30 or 60 days

Premium Rates – Mortgage Life Insurance (per \$1,000 of initial balance)

The cost of creditor insurance is generally pennies for each dollar of coverage. The following provides an illustration of the distribution of creditor insurance premium charges for Mortgage Life insurance per \$1,000 of initial mortgage balance, based on six CAFII bank participants:

Premium Rate per \$1,000 of Initial Balance by Age of Insured

