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Agenda Item 7(b)
May 25/21 EOC Meeting

CAFII Blog post (470 words)
New video helps explain insurance products
By Keith Martin, Co-Executive Director, CAFII

CAFII recently posted a new motion-graphic video to its website and on YouTube that explains the features and benefits of critical illness credit protection insurance and disability credit protection insurance.

The two-minute video describes how these insurance products work, and how they provide protection against different types of risk.

For example, Disability Insurance will pay all or part of an insured person's monthly debt obligation to their bank or credit union while they are unable to work due to disability. In contrast, Critical Illness Insurance is not related to ability to work, and an insured person can receive a benefit regardless of their employment status. This type of insurance can pay off all or a potion of the insured debt obligations in one lump sum, thereby freeing up money for other uses.

The video is the latest in a series aimed at simplifying insurance products and services for Canadian consumers. It supplements six other educational videos already on the website that explain how popular consumer insurance products such as Mortgage Life Insurance, Travel Insurance, Travel Medical Insurance, and Credit Protection Insurance work. There is also a video that explains who CAFII is and how we are trying to make insurance simple, accessible and affordable for Canadians.

Our consumer-facing website was created in 2017 to help Canadians become more aware of the range of insurance options available in Canada and to understand more about them. Since then, we have added definitions and explanations for more than a dozen types of insurance, a series of frequently asked questions, vignettes about the benefits of various insurance products, and information with links for making an insurance claim to a CAFII member financial institution. We even have details about consumer research commissioned by CAFII, and news about the Association.

As an association, we have made consumer education a priority because our members believe that informed consumers can make better insurance choices to fit their personal circumstances, and that they are ultimately more satisfied with their experience when they choose the right products.

That's one of the reasons we continue to add new content to our website each year. For example, we recently added some new product definitions, consumer situation example vignettes, and FAQs to the website, and we are planning to add another three new videos and some new consumer research later this year.

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To date, our efforts have been well received by consumers who find surfing the web a convenient way to get information, especially during a pandemic. For example, our website attracted 28,000 visitors last year, a 34% increase over 2019.

While we're pleased that a record number of consumers came to our website last year to learn more about insurance, we hope that even more will discover us in 2021!

CAFII Blog post (585 words)
What types of insurance should homebuyers consider?
By Brendan Wycks, Co-Executive Director, CAFII

Spring is the time of year when many Canadians think about buying their first home or selling and trading up to a better one. And, when they start thinking about the many issues that come with buying a house.

The first two questions potential buyers need to ask themselves is "How much house can I afford?" and "What size of mortgage will I qualify for?" Fortunately, most financial institutions can help answer those questions once a customer provides information about their financial situation and how much of a down payment they will have available for the home purchase.

Insurance is another topic a home buyer will want to consider, and that consideration should include at least three products; Mortgage Default Insurance, Mortgage Life Insurance, and Home Insurance. The first two of these products – Mortgage Default Insurance and Mortgage Life Insurance – are sometimes confused by consumers, especially by first-time buyers.

Mortgage Default Insurance allows borrowers to obtain a mortgage on a property with a lower down payment (as low as 5% for homes under $500,000, and 10% for the portion between $500,000 to $1,000,000) than would be required for a conventional mortgage. This type of insurance, required on all mortgages with down payments of less than 20% of the purchase price, is also known as a high-ratio mortgage. The maximum amortization period, or maximum payback duration, for a high-ratio mortgage is 25 years.

This insurance provides a "safety net" for federally regulated financial institutions, such as banks, that lend money on the security of residential real estate, and it increases the number of Canadians who may be able to qualify for a mortgage. Premiums for Mortgage Default Insurance are based on the amount of the mortgage and can be added to the mortgage amount and repaid over the full duration of the mortgage.

Conventional mortgages, which require a minimum down payment of 20%, do not require Mortgage Default Insurance. Any home with a purchase price of over $1,000,000 requires a minimum 20% down payment.

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Mortgage Life Insurance, in contrast, is a type of optional Credit Protection Insurance that pays out your mortgage balance (up to the maximum specified in the certificate of insurance) in the event of your death, making it affordable for your surviving spouse and/or family to remain in your home without financial duress. If your family relies on your income to make its mortgage payments, Mortgage Life Insurance is one way to protect the financial future of your loved ones.

Consumers who purchase Mortgage Life Insurance usually have the option to add disability, critical Illness, and job loss coverage, to protect their family further against not being able to make its mortgage payments.

Home Insurance, the third type of house purchase-related coverage, can provide valuable financial protection against incidents that cause damage to the property you own —including fire, lightning strike, wind and hail, explosions, falling objects, vandalism, theft, and other risks or "perils." This insurance typically covers both property damage and liability exposure, including medical payments in case someone gets hurts on your premises.

If you need a mortgage to be able to purchase your home, your lender will require that you have Mortgage Insurance in place to cover these types of risk.

When contemplating the cost of buying and maintaining a home, Canadian consumers should think about whether they will need these three types of insurance protection, and what the cost will be.