New FAQs for the CAFII Website (Final draft -- 12/10/21)

Credit Protection Job loss insurance

Q: Does Credit Protection Job Loss Insurance cover instances where a resignation was justified?

A: Credit Protection Job Loss Insurance covers a completely involuntary separation from employment. Typically, this may include a lay-off, dismissal without cause, a unionized labour dispute, a legal strike or a lockout. It typically does not cover people who quit their job, get fired for cause, stop working for medical reasons including pregnancy, or stop working for family-related reasons.

New Vignette: *Credit Protection Job Loss Insurance*

Joe has Credit Protection Job Loss Insurance on his mortgage and credit card. He's not happy with the way his boss is treating him at work, so he quits his job and makes a claim on his Job Loss Insurance. Unfortunately, Joe's claim is denied because he voluntarily left his job. If Joe had checked his certificate of insurance before quitting his job, he would have been familiar with how his insurance provider defines job loss and the circumstances under which he would qualify for benefits payments under his Credit Protection Job Loss Insurance.

Q: How do you make a Credit Protection Job Loss Insurance claim?

A: The claim process will vary depending on which financial institution you purchased your insurance from and what it covers (mortgages, loans, lines of credit and/or credit card balances). If you purchased your insurance from a CAFII member, please go to the "How to Make a Claim" section of this website, find the name of the financial institution, and click on the link to its website.

Credit Protection Insurance

Q: What are the types of Credit Protection Insurance?

A: The main types of Credit Protection Insurance are Life, Disability, Critical Illness and Job Loss. These types of insurance protection can be obtained for a variety of debt obligations including mortgages, consumer loans, lines of credit and credit card balances.

Old Vignette: *Credit Protection Life Insurance (from existing vignette in product category)*

Martine and Joseph have been approved by their bank or credit union for a $30,000 personal loan to purchase a car. Should one of them pass away before most of the car loan is repaid, the surviving spouse may find it difficult to continue making the monthly payments on the loan.

So, Martine and Joseph purchase life insurance on their personal loan. In the event that one of them passes away, the insurance will pay out the outstanding balance on their insured loan (up to the maximum specified in the certificate of insurance), making it more likely the surviving spouse can keep the car.

Martine could just have insured her life for the loan, but since both spouses are working and contributing to the household finances, she wanted Joseph's life to be insured, too. And insuring two people on the same loan is a better deal, as premiums for the second person are usually 30% to 50% less than for the first person.

Old Vignette: ***Credit Protection Disability Insurance (from existing vignette in product category)***

When Nick's friend became temporarily disabled in an accident and was not able to make monthly payments on his personal loan, the family car was repossessed. That's because Nick's friend, like nearly one-third of Canadians today, did not have enough rainy-day savings to cover even one month of expenses.

So, when Nick borrowed $40,000 from his financial institution to buy a car for his own family, he decided to purchase Disability Insurance on his Personal Loan as part of a bundle that included Life Insurance and Critical Illness Insurance. "I wanted to have a safety-net," he told friends.

Nick was comforted by the fact that should he be unable to work due to a short-term disability, the regular payments of principal and interest on his insured loan and the applicable insurance premium would be paid for a designated period of time – usually starting after a 30- to 60-day waiting period and continuing for up to 24 months.

Old Vignette: ***Credit Protection Critical Illness Insurance (from existing vignette in product category)***

Nadine has a $25,000 personal loan that she used to purchase a new car.

Nadine is worried that should she unexpectedly experience a serious illness such as heart attack, stroke, or life-threatening cancer, she may not be able to continue making payments on her loan and keep the car and her good credit rating.

So, at the financial institution where Nadine took out the personal loan, she signs up for Critical Illness Insurance to cover the outstanding balance. Nadine knows that this type of insurance will pay out the outstanding balance on her loan (up to the maximum specified in the certificate of insurance) in the event that she contracts one of the named critical illnesses covered under the policy.

Unfortunately, three years after buying her new car Nadine has a stroke. While she is expected to recover, it could take a year or more. However, since Nadine has Critical Illness Insurance on her personal loan, her insurance pays off the balance owing on the loan, relieving her of a financial worry during a stressful and trying time.

Q: Where do the insurance proceeds payment go if I make a claim on my Credit Protection Insurance?

A: After your claim has been adjudicated, the insurance proceeds payment will be used to pay out your insured debt balance (up to the maximum specified in the certificate of insurance), or to make/postpone debt payments on your insured debt on your behalf.

Old Vignette: Where do the insurance proceeds go? ***(from existing vignette in FAQ Who gets the money from my Mortgage Life insurance if I die?)***

Vicky and Bob, who have two children, have been approved for a $500,000 mortgage to purchase a home. Vicky is the primary income earner, and the family's ability to make their mortgage payments is largely dependent upon her income.

Peace of mind and predictability of expenses are important for Vicky and Bob, so they purchase Mortgage Life Insurance for Vicky that will pay off the balance of their mortgage in the event of her death. They like the fact that their premiums will not change over the life of their mortgage, which means that they are not exposed to higher costs for this coverage as Vicky ages or possibly develops health issues.

They also like the fact that the proceeds of her mortgage life insurance will go directly to pay off the mortgage balance rather than possibly being used to pay other debts. It’s important to Vicky to know that, should she die, her family will be able to continue living in their family home, without financial duress.

Q: When should I get Credit Protection Insurance?

A: Whenever you have dependants, are a relied-upon income earner and contributor to your family’s financial well-being, and are worried that you may not be able to make your debt repayments due to an unexpected event such as death, disability, critical illness or job loss, it is a good time to consider credit protection insurance.

New Vignette: *When should I get Credit Protection Insurance?*

Josie and Mario just bought a home for their young family of four, and they had to take out a sizeable mortgage with a 25-year amortization period to do so. Theye also have a personal loan for their family car.

As the family’s main income earner, Josie is concerned that if she were to become disabled, critically ill, or pass away, Mario would not be able to handle their monthly debt payments on his own, and they could lose their house and car.

So, Josie purchases three types of Credit Protection Insurance -- Life, Disability, and Critical Illness – on herself for their Mortgage and personal loan.

This gives her the comfort of knowing that her Credit Protection Insurance coverages will pay out her mortgage and personal loan balance if she was to pass away or be diagnosed with a critical illness (up to the maximum specified in the certificate of insurance) or make/postpone debt repayments on her behalf if she was to become disabled.

Credit Protection Mortgage Disability Insurance

Q: What is credit protection disability insurance on a mortgage?

A: Credit Protection Mortgage Disability Insurance covers your ongoing mortgage payments for a specified period of time should you become disabled due to illness or injury that prevents you from performing what were the regular duties of your occupation prior to your disability’s manifestation. This type of coverage is typically purchased with Credit Protection Mortgage Life Insurance.

New Vignette: *What is credit protection disability insurance on a mortgage?*

Vishal wanted to make sure he and his family could make or postpone debt repayments with his financial institution in the event he became disabled. So, he purchased Mortgage Disability Insurance, which is usually an optional add-on to Mortgage Life Insurance.

Vishal discovered that Mortgage Disability Insurance would pay all or part of his monthly mortgage payment to his financial institution should he be unable to work due to short-term disability. He’ll still be responsible for resuming his debt repayments when he recovers from his disability or when the benefit period ends (typically up to 24 months), whichever comes first.

Q: Does Credit Protection Mortgage Disability Insurance cover short-term disability?

A: Credit Protection Mortgage Disability Insurance covers short-term disability for a specified period of time – usually starting after a 30- to 60-day waiting period, and continuing for up to 24 months.

New Vignette: *Does Credit Protection Mortgage Disability Insurance cover short-term disability?*

After using most of her savings to buy a new home, Lianne wondered if she would be able to make her monthly mortgage payments and keep her house if she became temporarily disabled due to an injury that prevented her from working.

When speaking with a friend, Lianne learned that Mortgage Disability Insurance could provide the type of protection she was looking for and that she could purchase it at economical group rates from the financial institution providing her mortgage. This type of insurance would cover her monthly mortgage payments (up to a maximum amount) for up to 24-months if she could not work due to disability. It is usually purchased along with Mortgage Life Insurance.

A few years later, Lianne was seriously injured in a fall down a flight of stairs and could not work for five months. However, after a short waiting period, Lianne's Mortgage Disability Insurance kicked in and began making her $2,500 monthly mortgage payments. As result, Lianne was able to remain in her home without making mortgage payments until she fully recovered from her injuries and was able to return to work.

Q: What's the difference between Credit Protection Mortgage Disability Insurance and Credit Protection Critical Illness Insurance?

A: Credit Protection Mortgage Disability Insurance will pay all or part of your periodic mortgage payments to your bank or credit union while you are unable to work due to disability. You'll be responsible for resuming your debt repayments when you recover from your disability or when the benefit period ends, whichever comes first.

Credit Protection Critical Illness Insurance is not related to employment and your ability to work. You can be covered and receive a benefit from this type of insurance regardless of your employment status. It can pay off all or a portion of your insured debt obligations in one lump sum, thereby freeing up your money for other uses.

These two types of credit protection insurance may be purchased together, along with credit protection mortgage life insurance, or separately on their own.

New Vignette: *Mortgage Disability Insurance*

After using most of her savings to buy a new home, Lianne wondered if she would be able to make her monthly mortgage payments and keep her house if she became temporarily disabled due to an injury that prevented her from working.

When speaking with a friend, Lianne learned that Mortgage Disability Insurance could provide the type of protection she was looking for and that she could purchase it at economical group rates from the financial institution providing her mortgage. This type of insurance would cover her monthly mortgage payments (up to a maximum amount) for up to 24-months if she could not work due to disability. It is usually purchased along with Mortgage Life Insurance.

A few years later, Lianne was seriously injured in a fall down a flight of stairs and could not work for five months. However, after a short waiting period, Lianne's Mortgage Disability Insurance kicked in and began making her $2,500 monthly mortgage payments. As result, Lianne was able to remain in her home without making mortgage payments until she fully recovered from her injuries and was able to return to work.

Old Vignette: ***Mortgage Critical Illness Insurance (from existing vignette in product category)***

Should he ever experience a serious illness such as heart attack, stroke, or life-threatening cancer, Salim wants to know that all or most of the outstanding balance on his mortgage would be paid off, especially since he is the main breadwinner in his family.

As a result, Salim applies for Mortgage Critical Illness Insurance from his financial institution; and after answering a few health-related questions, is approved for coverage.

Eight years later, Salim is diagnosed with cancer and is unable to work. His Mortgage Critical Illness Insurance then pays off the balance of the mortgage on the family's home.

Salim's family members are devastated by his cancer diagnosis, but relieved that they do not have to worry about making ongoing mortgage payments during this stressful time. The insurance coverage not only eliminates the family's largest monthly bill, but it also frees up much-needed money to use for health-related expenses such as private nursing care, physical therapy, medical equipment, childcare and babysitting services, and modifications to the home.

It may take several years before Salim recovers, but his Mortgage Critical Illness Insurance allows him and his family to remain in their home without worrying about having to make mortgage payments.

Q: Do you need to undergo a medical examination to apply for Credit Protection Mortgage Disability Insurance?

A: You will need to answer a brief medical questionnaire at the time that you apply for Credit Protection Mortgage Disability Insurance. If you answer 'NO' to all of the applicable health-related questions on the application form, then your application is usually accepted, and the insurer does not require any additional health information. If you answer 'YES' to any of the applicable health-related questions, you will be asked to provide additional information through a health assessment; and, in some cases, your application may require further underwriting evaluation before an approval decision is made.

New Vignette: ***Do you need to undergo a medical examination to apply for Credit Protection Mortgage Disability Insurance?***

Kendrick applies for Disability Insurance on his mortgage.

Kendrick answers "NO" to all of the applicable health questions on the application form and is accepted for coverage. If he later becomes disabled, assuming Kendrick completed the health questions accurately, his claim would be eligible for benefits which would take care of his mortgage payments (up to a maximum amount) for up to 24 months, subject to the general limitations specified in the policy.

If Kendrick answers 'YES' to any of the applicable health questions, he will be asked to provide additional information through a health assessment; and, in some cases, his application may require further underwriting assessment before an approval decision can be made.

Q: How do you make a Credit Protection Mortgage Disability Insurance claim?

A: The claim process will vary depending on which financial institution you purchased your Mortgage Disability Insurance from. If you purchased this insurance from a CAFII member, please go to the "How to Make a Claim" section of this website, find the name of the financial institution, and click on the link to its website.