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to attain your goals”*

BANK MORTGAGE INSURANCE—BEWARE

SHOULD YOU APPLY FOR BANK MORTGAGE INSURANCE?

A huge number of people out there apply for and start paying premiums for mortgage insurance through their banks. Are they actually covered? Perhaps not...allow me to explain.

Over the past couple of months, some insights about how bank mortgage insurance works has been coming to light for me, and I felt it was important to share this with others. I am not an insurance expert, so I encourage people to consult the appropriate advisors to determine if or how they are affected by my comments.

Generally speaking, when you apply for mortgage insurance, you complete a short questionnaire, asking some questions, which you then initial at the bottom to say yes or no as to whether anything applies to you. Most people initial no. But be careful. You may have just unknowingly answered incorrectly, thus, disqualifying you from coverage. Also remember right off the bat, you should be consulting a licensed broker when it comes to insurance, not a bank employee, who is purely trained to sell the product, without much or any knowledge of it, just to make sales targets or get bonuses.

With the bank, you fill out that questionnaire and start paying premiums, but you are not necessarily covered. If purchased from a licensed broker, the agent would figure out if you are eligible before collecting the premiums. For most that get

the insurance from the bank, your medical records are only scrutinized after applying for a claim to make a payment. This is called post-claim underwriting.

Underwriting costs money. Blood test, urine tests, chest X-rays, etc. all cost money. What the banks are doing is basically collecting premiums without doing any of the work, but you may also not actually be covered. They only do the work when a claim is made, which is not often and means they only expend costs on an as need basis, such as when death occurs. They are making huge profits on this, and the consumer is also not actually covered. Once a claim is made, medical records are then scanned for anything that may disqualify the recipient of a payout. All you had been approved for before was to make premium payments.

The question they ask is very convoluted and confusing, and often you think you are checking the box off correctly. They ask in a long sentence, if you have been tested for, received treatment for, medication, medical advice, follow up for, diagnosis, etc. Allow me to point out one very common mistake. Have you ever gone to the doctors for something, and the doctor tested your blood pressure? This is pretty common in my opinion. Even if you did not go there to test your blood pressure, the doctor may do this, and may record the results. Simply by doing this, you just got tested for blood pressure and have likely disqualified yourself for mortgage

insurance coverage should anything happen and the bank scrutinizes your medical records. You will be considered to have completed your questionnaire fraudulently, if they find out you had been tested for it, even if you did not realize it. One expert in the insurance industry actually said there is no way to fill out that form correctly. What if you had been to the doctors for diarrhea, vomiting, a bad flu, stomach issues after returning from vacation. Again, you may have just disqualified yourself. What about a routine mammogram...again, you may be disqualified. The list goes on.

Some US states have banned post-claim underwriting, but here in Canada, it still seems allowed. The trick here is to make sure you are covered for mortgage insurance the way you think you are, and not just eligible to pay the premiums. You do not want post-claim underwriting; you want to know you are covered and eligible before paying premiums.

Again, I am not an insurance expert, and the foregoing comments are from recent information brought to my attention. Therefore, I cannot attest to the absolute factual truths regarding the industry. My comments should nonetheless encourage you to check your own coverage.

An interesting CBC marketplace video you may be interested in watching can be found at: <http://www.timetoinvest.ca/blog/item/mortgage-insurance-cbc-marketplace-video>. It is very thought provoking!