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Excerpts from
LIFE INSURANCE FAILS WIDOW
By Darrell Bellaart

"After your husband dies is the wrong time to learn the bank failed to properly fill in your loved one's life insurance application."

No one asked him to name a beneficiary, creating months of unnecessary grief for his widow."

"I don't know how they could sell it without a beneficiary and take the money for three years."

"This is one reason why it is a good idea to get insurance from someone who is trained. Banks, generally, the bank person - it may be a teller - they don't have the background. And forms are notoriously horrible."

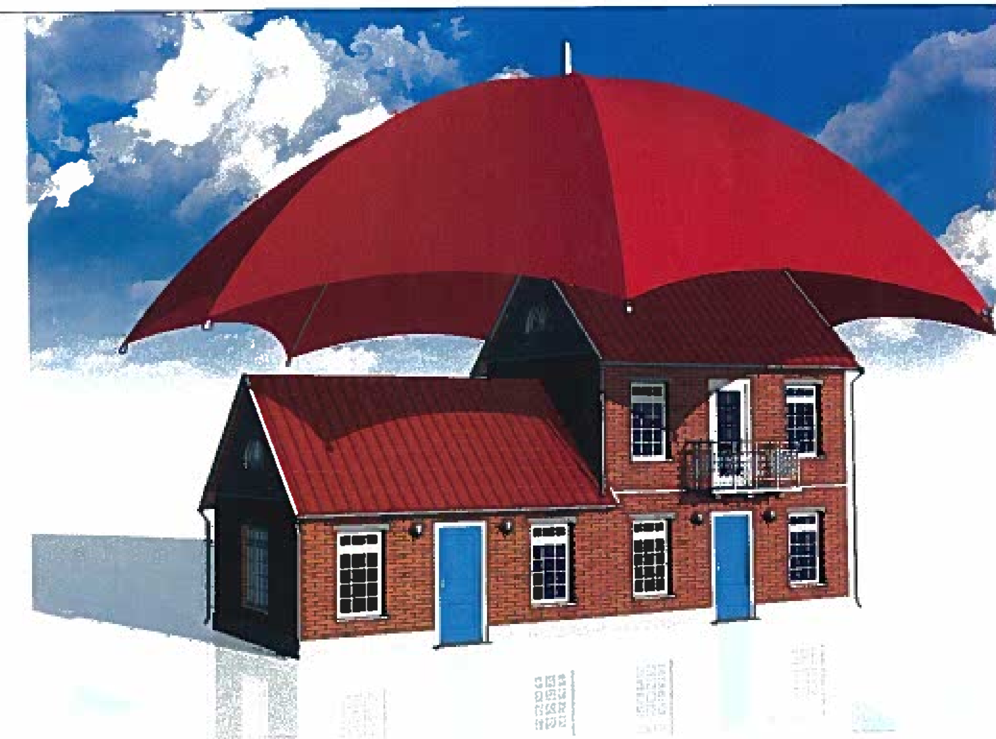
"The space for the beneficiary should never be left blank."

"Most insurance companies would return the application".

" It took her months of dealing with the bank, then finally she hired a lawyer to get some action.

"I would never buy bank insurance," she said. "Never, Not after this experience. Never."

Think you're protected by mortgage insurance? Don't bet your life on it



BY STEVE BOKOR AND IAN CLARK

We've advised many clients over the years that insurance is a vital part of everyone's financial plan; it is meant to protect you and your family should an unexpected loss of life happen. However, many families, unfortunately, have found out that it doesn't always end up that way. The issue here is mortgage insurance sold by banks and mortgage brokers.

We've seen too many families unaware of the dangers of mortgage insurance. Whether buying a first home or re-mortgaging, it's common to rush through the process of insurance in an attempt to complete the details of securing financing for a house. Insurance is a complicated topic, and the mortgage professionals who sell these products are usually not trained or licensed to sell life insurance, let alone provide proper advice. We recommend that you do your homework and seriously consider the pitfalls of any insurance offered by your mortgage lender.

In this article, we will draw attention to the differences between the insurance you purchase with your mortgage and a policy you own and purchase directly from an insurance company.

Post-Claim Underwriting

The biggest problem with insurance from the bank is that the bank will carry out post-claim underwriting; simply put, this means the underwriting is completed after a claim has been submitted. Technically, you could be declared uninsurable after you have submitted a claim and it is denied. If you purchase it directly from a qualified and licensed insurance adviser, all underwriting will be done at the time a policy is issued.

Therefore, you know you have a binding legal contract between you and the insurance company and that the claim will be paid out when needed according to the terms of your contract, unless fraud can be proven.

Other Issues

With mortgage insurance, the beneficiary is the lender. With life insurance, you select the beneficiary.

The amount of mortgage insurance decreases with your mortgage, but the premiums stay the same. With life insurance, your coverage and premiums remain the same.

Mortgage insurance is not transferable to a new lender, whereas life insurance is fully portable.

With the banks, the payout can be used only to pay the mortgage. With life insurance, your beneficiaries decide how to use the insurance proceeds.

You cannot change your mortgage insurance policy if your situation changes. A life insurance policy can be modified as needed.

Remember, the bank can decide to cancel a mortgage insurance contract at any time or change the terms of the coverage. With life insurance, you own a binding legal contract with the insurance company. What follows is a direct comparison of the two products.

Insurance is a complicated topic, and the mortgage professionals who sell these products are usually not trained or licensed to sell life insurance, let alone provide proper advice.

Credit Mortgage Insurance

› **Post-Claim Underwriting:** Unlike individual life insurance, credit insurance sold through the bank is usually not underwritten until a claim is made. This means the insurance company may determine you are not eligible for a payout even though you have been paying premiums. For instance, a claim may be denied because an investigation of your medical records indicates you once had high blood pressure or high cholesterol that you did not disclose.

› **Standard premiums:** The mortgage insurance policy sold at the bank is a "one size fits all" policy. This means everyone who qualifies is considered to be of equal risk. The premiums you pay on mortgage insurance are a fixed amount based on your age and the amount of your mortgage. There is no discount for non-smokers or for women. The premium does not reduce as the mortgage is paid down.

› **Decreasing payout:** The mortgage insurance sold at the bank covers a decreasing amount. While your premiums remain the same, the amount left on your mortgage decreases, and thus mortgage insurance will pay off only the balance of your mortgage when you make a claim.

› **The bank gets the payout:** Mortgage insurance is designed to pay off the bank if anything happens to you. Therefore the insurance payout will be made directly to the bank.

Individual Life Insurance

› **Underwriting:** When you apply for individual insurance through a licensed insurance broker, your medical history will be examined before a policy is issued and you start paying premiums.

The insurance broker will ask detailed questions and may arrange for a nurse to conduct a physical. You will know upfront whether you are covered.

› **Individual premiums:** With an individual life insurance policy, the premiums you pay are based on your individual risk. Your health history and exam will help to determine how high or low your premiums are. Non-smokers and women pay a lower premium. The face amount of the coverage remains level.

› **Fixed payout:** When you purchase an individual insurance policy, you pay premiums for a pre-determined amount of coverage.

Therefore, if you pay premiums for $100,000 of coverage, your beneficiary will receive $100,000.

› **You choose who gets the payout:** With an individual policy, you are free to choose the beneficiary or beneficiaries. If something happens to you, it is up to your beneficiaries to decide what to do with the insurance proceeds.

If you need insurance to protect your family, speak to a qualified insurance adviser to determine the appropriate insurance coverage for your family. Many opt for mortgage insurance because of ease and convenience, but this may come at a huge risk, and your family may not have the mortgage protection you had planned for them.

For more information, or to find out whether you are properly covered, contact your investment adviser for details. ■