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#### Credit or loan insurance

Government

of Canada

From: Financial Consumer Agency of Canada

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#### Understanding credit or loan insurance Credit or loan insurance helps you and your family pay off or pay down your loan or credit card. It provides coverage if

you:

- lose your job
- have a critical illness
- have an accident
- die

later. Lenders or insurance companies also call this type of insurance:

Lenders usually offer credit or loan insurance when they approve your credit card or loan. You can also sign up for it

• creditor insurance

- balance protection insurance • balance insurance
- debt insurance
- Credit or loan insurance is a separate product from a loan or credit card. You don't have to take it for lenders to approve

policy covers.

your loan or activate your credit card. Not all credit or loan products offer the same type of insurance coverage. Ask your insurance company about what your

Deciding if you need credit or loan insurance Before you sign up for credit or loan insurance, make sure you understand the costs, coverage, and the benefits. You'll

### find this information in the certificate of insurance.

don't need to sign up for credit or loan insurance to get a sample.

Ask your financial institution for a sample certificate of insurance. They often provide them on their website as well. You

Use the certificate of insurance to determine:

how much the insurance will cost

what the maximum benefit would be

• if you're eligible for coverage

- what they consider an exclusion or limitation when you would get insurance benefits
- if there are any limits on claims
- if there's a maximum age
- You should also compare the insurance coverage with your other insurance products, such as life and health insurance.

The coverage you have through these plans may already offer benefits in case of death, critical illness, disability, or job

loss. Before getting credit or loan insurance, contact your insurance company with any questions you might have. Learn how insurance works.

Getting credit or loan insurance

## You usually get credit or loan insurance at the same lender that approves your credit card or loan. For example:

banks

- credit unions
- car dealers
- caisse populaires
- stores that offer credit cards Make sure that the insurance meets your needs in terms of protection. If your lender is a federally regulated bank, they
- must offer and sell you products and services that are appropriate for you, based on your circumstances and financial

needs. They also must tell you if they've assessed that a product or service isn't appropriate for you. Take the time to describe your financial situation to ensure you get the right product. Don't hesitate to ask questions and make sure you

This type of insurance is optional. Federally regulated financial institutions can't pressure you into taking credit or loan insurance. Learn more about prohibited banking conduct.

You must give your express consent to obtain credit or loan insurance.

**Credit or loan insurance premiums** When you get credit or loan insurance, you either pay a recurring premium, or a one-time premium. If you pay a one-

Learn more about your rights when getting loan insurance.

understand the insurance product you have or want.

time premium, you'll usually pay at the time your lender approves your loan. Insurance companies usually determine recurring premiums based on:

• the initial amount of your loan • the amount of time you will take to pay off your loan

your age, your sex, and your health

pressure.

Terms and conditions of credit or loan insurance The terms and conditions of credit or loan insurance may vary depending on the insurer. The terms and conditions will

Depending on the type of credit or loan insurance you get, the terms and conditions will tell you:

• whether you'd qualify for a job loss benefit if you're self employed (for job loss coverage)

• the average daily balance of the previous month (if you have credit card balance insurance)

tell you what type of claims you're allowed to make. Make sure you understand the terms and conditions before getting credit or loan insurance.

• the maximum benefit the insurer will pay you • the specific conditions covered by the insurance policy (for critical illness coverage)

• the definition of disability (for disability coverage)

There may be exclusions to your credit or loan insurance. Exclusions are conditions or circumstances that your insurance policy doesn't cover. For example, it may not cover pre-existing conditions, such as heart disease, asthma, or high blood

 you have a pre-existing condition related to the claim • you had symptoms of a disease when you applied for insurance • your job fired you with cause • you resigned from your job • you were working on a contract

Based on your answers to the health questionnaire, insurance companies may approve you right away. They might also

Your insurance won't be valid if you don't provide accurate answers to the questionnaire. Take the documents home with

You usually start your claim online or over the phone. You make your claim through the insurance company listed in your

You may cancel your credit or loan insurance at any time. Check your certificate of insurance for the steps to take. You

certificate of insurance. They'll likely ask you to complete claims forms. They may also ask you to provide more

Eligibility for credit or loan insurance To be eligible for credit or loan insurance, you usually need to:

Depending on the type of insurance, your insurer may not pay your benefit if:

• be under the maximum age to qualify (often between 65 and 70 years old) respond to a short health questionnaire of 'yes' or 'no' questions

need you to take a medical exam before approving you.

• be above the minimum age to qualify (usually 18 years old)

- You may lose your coverage if: • you go over your credit limit
  - you owe any payments that are past the due date • you have recent dishonoured payments on your account

Check your certificate of insurance for the steps to make a claim.

you to complete them and consult a medical professional if needed.

Most insurance companies require that you make your claim within a certain timeframe. These usually range from 90 days to a year from the date of your injury, critical illness, disability or death. You'll find information about the timeframe

information or take a medical exam.

Making a claim

to make your claim in your certificate of insurance. Keep in mind that the insurance company will pay the benefit to your lender to reduce or pay off your debt.

Learn more about making an insurance claim. Cancelling your credit or loan insurance

**Related links** • Credit card balance insurance

Credit and loans: know your rights

Learn how to cancel your insurance.

usually need to contact your insurance company first.

# Getting an insurance policy

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