



Six fine-print facts you need to know about your life insurance

By [Brenda Bouw](#) | Yahoo Finance Canada – Thu, 4 Jun, 2015 4:55 PM EDT

There are two types of people in the world when it comes to life insurance: Those who buy it to avoid leaving their loved ones with a financial burden, and those who don't want to think about it.

Experts believe forgoing life insurance – especially when you're not covered at work – is a selfish act, especially if you have a lot of costs that need to be covered when you die.

“Life insurance is the most unselfish purchase you can make because it's not for you,” says Lorne Marr of [LSM Insurance](#), an independent life insurance brokerage based in Markham, Ont.

Marr says some people don't think about life insurance – despite all of those annoying TV ads and sales flyers that pile up in the mailbox – because it's not tangible.

“It's not something you can touch, like a house, or a car, or a pair of shoes,” Marr says.

It's when a major life event happens, such as a wedding, purchasing a house, starting a family, or even an illness, that people start thinking about how to cover their major expenses when they die. But buying life insurance can be more complicated than many expect.

Marr and Alexey Saltykov, cofounder and CEO of information portal [InsurEye Inc.](#) came up with six potential traps consumers need to consider when buying life insurance:

- 1. Forgetting pre-conditions:** This is one of the most frequent issues that comes up for consumers buying life insurance, says Marr and Saltykov. Depending on the policy, questions may come up about whether you had any health issues in the past, such as cancer or other diseases. Marr says it's important to read the questions carefully, and answer correctly. “If you don't read and understand what qualifies as a precondition, your claim may be denied later when you need the benefit,” he says.
- 2. Two-year waiting period:** Almost all guaranteed issue policies (such as some forms of non-medical life insurance) have a two-year waiting period, Marr says. That means if the insured dies by a non-accidental death in the first two years of the policy, the death benefit is limited to a return-of-premium plus interest. A number of simplified issue policies, such as non-medical life insurance with only a few health questions and no medical tests, may come with or without a two-year waiting period. Marr and Saltykov suggest finding out which one you're signing up for, just so you're aware.
- 3. Forgetting to mention extreme or dangerous sports:** If you're a skydiver or into extreme fighting, you may have to declare your thrill-seeking side to the insurance company. Marr recommends consumers read their policies carefully to see what's considered an extreme sport. It doesn't mean you have to stop being a daredevil, but you might need to find another policy provider with more appreciation for your type of risk.
- 4. Travelling to high-risk countries:** Insurance companies may consider some countries as more dangerous than others. You can probably guess which ones might not be considered as safe as here in Canada. Marr and Saltykov say consumers signing up for life insurance need to pay attention to which ones are excluded in their policy, especially those in dangerous jobs. “Very often, countries with war-like conditions are excluded from the policy,” they say.

5. What type of insurance are you buying? Marr says there are three main types that brokers may try to sell you; life insurance, mortgage life insurance and accidental death life insurance. Know what each one means and what it covers. Marr is biased as a life insurance seller, but recommends buying an insurance policy instead of mortgage insurance, which he says only pays outstanding mortgage debt in case of the insured's death. He also doesn't recommend accidental death life insurance because it only pays if the insured dies in an accident, which is far less probable than a critical illness or other health-related issues.

6. Check the renewal conditions: Some policies may include a clause on automatic renewal. That's not a bad thing, Marr says. However, consumers need to be aware of what happens when the policy renews, especially if rates rise. He recommends consumers find out what the renewal conditions are before they sign the dotted line.



What insurance companies don't want you to know

