Dec
10
2018

Credit Balance Insurance: Worth the Money?

By admin

Graham*, like millions of other Canadians, has and uses credit cards. He often **carries a balance from month to month** and is concerned about making the monthly payments if he becomes disabled or gets seriously ill. Graham doesn't want to stick his family with the balance if he dies before paying it off.

The credit card company offered him **Credit Balance Insurance** (CBI) that would take care of these concerns. After looking over the offer, **he wondered if it was such a good deal.** Credit Balance Insurance is just that - insurance. And insurance requires a premium. According to the Financial Consumer Agency of Canada, the average monthly premium for this type of insurance is about 90 cents per $100 of monthly credit card balance.

If Graham carries a $5,000 balance on his credit card, he will pay a $45.00 monthly premium - that's a whopping $540.00 per year. He may also have to pay provincial sales tax on this premium. His credit card carrier will simply add the monthly premium to his outstanding balance. Regular credit card interest rates are about 18% annually, calculated monthly.

So, if Graham continues to carry a balance forward and opts for the balance insurance, the premiums will also attract interest charges. Premiums are paid to the credit card provider and an insurance company provides the protection. The credit card company takes a cut of the premium. **At**

the end of 2016, some 43.4 million Visa and MasterCard accounts in Canada carried a balance.

This type of insurance is provided by a group policy arrangement between the credit card provider and an insurance company. Either party can cancel it at any time, and Graham will have no say in the matter. Information provided by the big five banks indicates that there are **'limitations and exclusions'** that will be revealed after he signs up. Graham learned that: CBI life insurance maximum benefits range from $1,000 up to $50,000 with most in the $10,000 range.

CBI disability protection only covers the minimum monthly payment for a limited period and you must be totally disabled to qualify for benefits. Interest will still be charged on the outstanding balance. CBI critical illness insurance typically covers only a few conditions, typically cancer, heart attack and stroke. Personal plans can cover these and many more. CBI job loss protection only covers the minimum monthly payment for a limited period and interest will still be charged on the outstanding balance.

Depending on the credit card provider, CBI coverage is only available until age 65 or 70. Graham now knows that he can get much better protection with few, if any, limitations or exclusions through his insurance advisor. He won't have to worry about any unexpected premium increases or losing his coverage all together.

**Fictional characters for illustrative purposes only.*

Need help with debt management?

Contact our office! [1]

Tags: insurance planning [2]

Source URL:https://silvercompass.ca/e-newsletter/2018/2018-12/article-2.htm

Links
[1] https://silvercompass.ca/contact-us [2] https://silvercompass.ca/taxonomy/term/26