

Insurance Times: Mortgage life insurers enjoying surge in sales

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NEW YORK (AP) — The surge in home refinancing has created ample opportunity for insurance companies to pitch a form of life insurance that takes care of mortgage payments if you die or become disabled.

Mortgage life insurance policies are attractive to many, and sales are rising, but consumer advocates warn that the added security they give often comes at a high price.

If policyowners don't die or become disabled before they pay off their mortgage, they get nothing from a mortgage life insurance. In general, financially sophisticated homeowners stay away from this type of insurance, said Eric Stein, of the Coalition For Responsible Lending in Durham, N.C.

On average, lenders pay out only about 40 cents in benefits for every dollar consumers spend on mortgage life insurance, although they should be paying out about 60 cents, according to the National Association of Insurance Commissioners. By contrast, regular term life insurance pays out about 90 cents on the dollar.

Mortgage life insurance is "a terrible product," said Robert Hunter, the director of insurance at the Consumer Federation of America in Washington. "It's expensive and it's not the way to buy life insurance."

But because mortgage insurance doesn't usually require a medical examination, those who don't qualify for traditional life insurance might consider it, others note.