

Mortgage protection

Deborah Condon talks to ERM Financial Services

Managing Director Eamonn Griffin about obtaining mortgage protection when you have diabetes

The economic downturn that followed the 2008 financial crisis had a massive impact on Ireland's mortgage market. The number of mortgage approvals fell drastically and it is only in recent years that banks have started lending again.

However, even if a person with diabetes is approved for a mortgage, there can still be a major stumbling block to getting the home that you want – mortgage protection cover.

Mortgage protection cover is a type of life insurance that is designed to pay the outstanding balance of a person's mortgage should they die before the debt is paid off. While it is not required by law, banks will insist on it. In other words, if you do not have mortgage protection, a bank can refuse to give you a mortgage.

Waivers are considered in certain circumstances, however this is relatively rare. In such cases, the person taking out the mortgage agrees that if they die before the debt is paid off, the bank can repossess the home.

However, the vast majority of people need to obtain mortgage protection cover in order to proceed with their mortgage, and unfortunately for people with diabetes, this can be a minefield.

Most people will look for what is known as a decreasing term life assurance policy. This is the most basic and cheapest type of mortgage protection cover and ensures that your home is paid for in the event of your death.

According to Eamonn Griffin, Managing Director of ERM Financial Services in Dublin, different insurance companies and brokers will treat people with diabetes in different ways. Some

will not even quote them for cover, while others may expect the person to undergo a full medical examination with a doctor. And much higher premiums are a given.

ERM has been working with Diabetes Ireland for many years now to try to ensure that those with diabetes can get fair insurance cover. The Diabetes Ireland helpline often receives calls from people who cannot obtain various types of insurance, or have been quoted extremely high premiums. It refers these cases on to ERM, which due to their specialist experience in this area, can often get the person a better deal.

"When it comes to mortgage protection cover, we usually only require a report from the person's GP. However, some brokers or companies want the person to undergo a full medical," Mr Griffin explains.

He says that there are a number of reasons why a person with diabetes may be refused cover. The first is if they have been recently diagnosed with the condition.

"This covers all people with diabetes, although people with Type 1 tend to be diagnosed as children, so it more often applies to people with Type 2 diabetes.

"If the person has been diagnosed within the last six months, most insurers will say that they are delaying cover approval for six to 12 months. This is because they want to see a pattern of the person's diabetes control and behaviour before undertaking the risk," he explains.

Another reason a person with diabetes may be refused cover is if they have poor diabetes control. Ideally, their HbA1c should be under 53mmol/mol or

9.4mmol/L. If it is above this, that suggests poor diabetes management and the person may be asked to return at a later date when they have better control.

The person may also be refused or delayed cover if there are other health issues at play that may affect their diabetes, such as a very high body mass index. They may also have a diabetes-related operation scheduled, to which the insurer may again say 'come back later'.

Mr Griffin explains that people with Type 1 diabetes can expect to pay 200-450% more on their mortgage protection cover, depending on their diabetes management, while those with Type 2 can expect to pay 50-200% more.

He notes that if it is a joint mortgage, only the person with diabetes will be loaded against.

He emphasises the importance of shopping around and reviewing your cover regularly, as with mortgage protection cover, you are only locked in one month at a time. However, he acknowledges that some people with diabetes may not want to look elsewhere for cover. For example, if a person's diabetes control has deteriorated, they may not want to look at other providers.

ERM offers a free audit to people with diabetes of their existing policies to see if they are potentially eligible for a better deal on their insurance cover. If money can be saved, it is up to the person whether they want to proceed.

"I can usually tell within a few questions whether money can be saved. If people do want to change policies, there are no waiting periods or penalties," Mr Griffin adds.