



Take Cover

News from Louis Letourneau.
First published in [Gay Times](#), March 2008

People who never bothered with mortgage protection are now thinking, "What if?" and "Better safe than sorry"

My company has had a lot of enquiries recently from people looking for life insurance and related types of protection to cover their mortgages. At first I was a little surprised. Why now? The housing market is in the doldrums and fewer mortgages are being taken out. And then I understood the psychology - when times are tough, people feel less optimistic and they worry about what would happen to their partners if they died or how they would pay the mortgage if they had a serious illness and couldn't work. People who never bothered with protection for their mortgages in the past are thinking, "What if?" followed by, "Better safe than sorry."

The most basic type of protection is life cover. This is only really necessary if you have dependents or a partner who lives with you who couldn't afford the mortgage on his own if you were to die. If you have an interest-only mortgage, you need a level term policy, as this would payout the full amount of the loan if you were to die at any time in the policy term. If you have a capital repayment mortgage, you can choose between a level term policy, which is superior but more expensive, and a decreasing term policy, where the amount the policy would pay on your death goes down over the years in line with the outstanding balance on your mortgage.

Getting life insurance is easier for gay men these days. Following pressure from lobby-ists, including my company, the Association of British Insurers changed the rules several years ago. The demeaning 'lifestyle questionnaire' which single men used to be asked to complete by many insurance companies is now a thing of the past, although all applicants are asked about any STDs they've had and their risk of exposure to HIV.

Nevertheless, there are still some companies that may be discriminating against gay men, but in a very clever and covert way so that this can't be proved. Therefore, it makes sense to apply for cover through a company that specialises in advising the gay community. These days it's possible to arrange joint loans for male couples without any HIV tests or medicals or having to jump through the hoops that used to be par for the course.

Basic life cover means that, if one of you dies, the mortgage will be paid off and the survivor doesn't need to worry. This type of cover is cheap and provides peace of mind. If you arrange separate policies, these should be put in trust for each other.

Critical illness cover is also useful for single people, as it means that the mortgage would be paid off if they were diagnosed with a serious illness. Because of the level of claims in recent years, premiums have got more expensive. Also, insurers are tightening the criteria

for critical illnesses. As a result, many people are looking at income protection cover instead.

Where a critical illness policy would pay a lump sum on diagnosis of an illness that meets the policy's criteria, an income protection policy would pay a replacement monthly income if you were unable to work through illness or injury. It covers conditions that stop you working but are not 'critical' illnesses. Ideally, the two types of cover complement each other. However, most people have to choose between them and, in many cases, income protection can be the cheaper and more appropriate cover. It's especially useful for self-employed people.

As always, you should discuss your needs with an independent financial adviser, preferably one who understands your requirements as a gay man or couple.

Louis Letourneau, MA is an experienced independent financial adviser (IFA), specialist in financial planning and wealth management. He founded Rainbow Finance in 1995 and has consistently challenged financial companies and Government on their attitudes to gays, lesbians and same sex couples and was instrumental in the Inland Revenue to changing its guidance notes to recognise unmarried couples in pension benefits. His work has also resulted in life insurance companies starting to relax the discriminatory underwriting criteria toward gay men and people living with HIV. He was a founder of the Rainbow Research Project which surveys and educates private pension schemes in how they recognise unmarried couples on death benefits. He was also a founder member of the Stonewall Immigration Group (which campaigned for Immigration rights for same-sex couples, achieving a significant victory in April 1997) and helped set up the gaypartners.org initiative with gay.com in early 2001, campaigning for same-sex partnership rights. He speaks regularly on national and local radio.

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