The facts on mortgage insurance

For most Canadians, buying a home is the largest single investment they'll ever make. To protect this significant asset for your family in the event of death, disability and critical illness, many lending institutions will offer you mortgage life, disability and critical illness insurance.

However, you should know the difference between mortgage insurance and personal insurance before you sign on the dotted line. Otherwise, you could find yourself with coverage that does more to protect the lending institution than you and your family.

Mortgage insurance versus personal insurance

Here are some key facts to consider when comparing personally owned life, disability and critical illness insurance offered by insurance companies, with creditor mortgage life, disability and critical illness insurance offered by many lending institutions.

Mortgage insurance through many lenders	Personal insurance
If the person who holds the mortgage dies prematurely or becomes critically ill, mortgage insurance automatically pays the remaining mortgage balance directly to the lending institution. In the event of disability, the monthly payments are paid until you are no longer disabled or until the mortgage is paid off.	Life and critical illness insurance pay a one-time lump sum, if the insured dies or is diagnosed with a covered critical illness (and satisfies the survival period). The benefit can be used for any purpose, including paying off a mortgage. Disability insurance will pay a monthly income benefit meant to help replace lost income. The benefit can be used to cover mortgage payments and/or other ongoing expenses like groceries, vehicle payments and other household expenditures.
Generally, is non-convertible term insurance with no premium flexibility or the ability to move to a permanent insurance policy if your needs change.	Term plans for life or critical illness insurance are usually convertible to permanent coverage, without a new medical exam. Plus, flexible plan designs give you more options to tailor your coverage.
Usually covers the exact amount of your mortgage. The value of your coverage decreases as you pay down the mortgage. As a result, the cost per $1,000 of coverage generally increases each year. Coverage terminates when the mortgage is paid off.	Amount of coverage isn't reduced as your mortgage balance declines. You choose the type of insurance that best suits your needs, with premiums to fit your budget. For example, choose from a range of term and permanent insurance solutions. Many policies offer rates that do not change over the life of the policy.
The lender owns the policy. Cannot be moved to another lender. If a better mortgage is found somewhere else, you may have to re-qualify medically for mortgage insurance protection. If your health changes, you may become uninsurable.	You own the policy, not the lender. You are free to switch your mortgage to another lender without jeopardizing coverage.
Fewer options available to customize coverage to best meet personal needs.	The insurance policy can be customized with many options and features, such as having life or critical illness insurance premiums waived in case of a disability. In addition, some policies have return of premium options that can help you recoup the premiums if no claim is made.

Get added value for your mortgage protection

Make sure you're informed of your options before you negotiate with your lending institution. We're happy to answer any questions you may have about how you can get the most from your insurance and how personally owned life, disability and critical illness insurance may fit into your financial security plan. **Please contact us today:**

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