Live *your* dream.

When your lender offers you mortgage insurance…

# Who are they *really* protecting?

**A mortgage is the single largest debt most Canadians will ever assume. Most consumers will take the time to shop around for good interest rates and terms that suit their needs, but not everyone bothers to do the same for the accompanying mortgage insurance.**

When you obtained your mortgage, you were probably offered insurance protection. This insurance is intended to protect you and your family by paying off your mortgage should you die or suffer a disabling illness or injury while the mortgage is in place. Many people simply accept the coverage that's offered by their lender without investigating other options. That's a pity, because in many cases you can obtain better coverage for a lower price from an independent financial advisor.

**And who does mortgage insurance really protect?**

- The lender receives the proceeds of the policy.
- Cost of the coverage is based on the full mortgage amount and stays level, but coverage decreases at the same rate as the mortgage.
- Mortgage insurance is "group" insurance, so rates are the same whether you are a smoker or non-smoker.
- You can't take it with you – if you move your mortgage, you must requalify for coverage with the new lender.
- Your medical history is examined at time of claim, which can lead to your coverage being denied if it is determined that questions in the application were not answered correctly.

**Before you sign….**

Use the following steps as a guide before signing for this type of coverage with your lender:

**Do you really qualify for the coverage?**

- Creditor insurance policies have many terms and exclusions.
- The applications ask a limited number of medical questions which can be difficult to answer accurately.
- If you have any concerns about pre-existing medical conditions, speak to the insurance company directly – NOT the bank employee who sold the coverage.
- Call your doctor to clarify details of any pre-existing medical conditions you may be concerned about.

**Can you cancel the coverage?**

- You usually have 10-30 days after the initial purchase to review your policy (this is known as a "cool-down" or "free look" period).
- If you have already purchased your credit insurance you can cancel any time. Keep in mind, however, that you will lose premiums already paid.

**Speak to a licensed professional:**

- Speak to your financial planner, who can shop for the best coverage and price. Coverage obtained in this manner will address any medical issues up front.
- Look at your existing insurance coverage – you may be able to buy or top up an individual life insurance policy to cover your mortgage.

A recent report on CBC Marketplace discussed lender mortgage insurance, and provided several tips on ways to make sure you are getting the right kind of mortgage protection. You can view this report at:

http://www.cbc.ca/marketplace/2008/02/06/mortgage_insurance_not_always/

**Look at options that will protect you and your family**

Get more for your money by knowing the options available to you. Your mortgage provider will offer you insurance to cover death, disability and possibly even critical illness. This might seem like a convenient way to protect your mortgage, but by purchasing individual insurance, you will receive better guarantees, greater choice and competitive premiums.

**Let's look at some key differences between the two coverage options:**

| Individual Insurance for Mortgage Protection | Lender Mortgage Insurance |
|---|---|
| You purchase an individual policy. | You are covered under a group policy owned by the bank. |
| You own the policy and have complete control. | You have no control over the policy because the bank owns the policy. |
| You select the type of plan you need, and can add any features and provisions you require. | Features and provisions of the group policy are the same for everyone insured under it. Only the face amount will vary. |
| You may purchase any amount of coverage you require. | The policy only covers the mortgage amount or payment. |
| You have the choice:<br>• permanent or term insurance;<br>• level insurance or decreasing. | Group coverage is always decreasing term insurance, declining as the mortgage declines, even though your premiums stay the same. |
| An individual policy cannot be cancelled by anyone but you. | Group policy can be cancelled by the bank or the issuing company at any time. |
| Individual coverage can be continued as long as you wish. It is a portable plan that can be used to cover any mortgage anywhere. (Statistics Canada reports the average Canadian family moves every five years.) This may be a very important feature if you become uninsurable in the future | Group coverage could terminate if any of the following events occurs:<br>a. mortgage is repaid<br>b. mortgage is assumed<br>c. house is sold<br>d. group policy terminates |
| An individual term life policy can be converted to permanent insurance, regardless of health, usually until age 65. | Group mortgage insurance is not convertible. |
| You may make beneficiary designations. The policy owner or beneficiary may select any of the several settlement options. In the event of death, your beneficiary will receive the proceeds from your policy. Your beneficiary can have the choice of repaying the mortgage or not, thus preventing hasty decisions. Proceeds are received tax free and are protected from creditors. | Group mortgage insurance does not allow you to make beneficiary designations or to select the settlement options. In the event of death the bank is automatically repaid. |

| Individual Insurance for Mortgage Protection | Lender Mortgage Insurance |
|---|---|
| An individual policy insuring both husband and wife covers each of them for the same amount. The proceeds will be paid on the death of either one, and coverage on the survivor may be continued. Should both the husband and wife die, the proceeds are paid twice. | Group coverage whereby both husband and wife are covered only pays on the death of one of the insured – not both. Coverage on the survivor terminates and cannot be continued. |
| Depending on the type of insurance chosen, cash values can accumulate, and return of premium options can be added. | Cash values don't accumulate with group coverage. |
| There are a number of features and provisions which you may add to your policy. You may wish to add a waiver of premium to your policy which would pay your premiums for you if you were to become disabled. Another option would give you the right to increase your protection regardless of your health. | No other benefits or features may be added to your group policy by you. |
| You are buying from a licensed professional who can help you in making your decision. | When insuring through the group policy offered by the bank, your bank loans officer is not a licensed life insurance agent and may not be well informed on various types of coverage available. |
| A 30-day grace period is allowed after premium non-payment, during which an individual policy is still in force. | No grace period, and if you miss a mortgage payment, your policy may be canceled. |

**Why settle for creditor insurance?**

Instead, take advantage of an individually owned insurance solution, providing these great benefits:

- Fully guaranteed premiums and level coverage that can never be changed or cancelled.
- Coverage that is fully portable – stays in place when you change mortgage lenders or homes.
- Coverage continues even after your mortgage is paid off.
- Benefits that are received by you or your beneficiary, tax-free, can be used as needed.

Mortgage insurance offered by your lender may be convenient, but if you are in good health, an individually owned insurance plan can provide superior coverage and value.

For more information on ways to protect your mortgage and your family, contact your IPC Advisor at:

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