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"Over 30 Years Experience"

Mortgage Insurance Questions and Answers

✓Introduction to the concept

- ☐ 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.

- ☐ Many 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.

✓What is mortgage insurance for?

- ☐ Mortgage insurance is about protecting your loved ones. If something should happen to you (or your partner), mortgage insurance will pay off your debt. It's a simple concept, but the details in each contract can vary significantly.

✓What kind of coverage does the bank offer?

- ☐ If you purchase mortgage insurance from your bank or credit union, you are purchasing creditor's group insurance.

- ☐ You are a certificate holder. You do not own the policy. The bank may make changes to the coverage without your consent, and coverage will terminate as soon as the mortgage is paid off.

- ☐ The premium you pay remains the same, but the coverage decreases along with the balance of your mortgage. You are paying a level amount for decreasing coverage.

- ☐ You are not able to name your own beneficiary. If something should happen to you, the bank receives the insurance proceeds directly.

- ☐ If you decide to change banks at a later date, you will have to reapply for insurance coverage – you will pay rates based on your age at that time, and if your health has changed, you may be declined.

- ☐ In most cases, creditors group is based on "blended rates," meaning that smokers and non-smokers pay the same amount for the same coverage. If you live a healthy lifestyle, you will pay the same amount as someone who is overweight and smokes a pack a day.

✓What are the advantages of owning my own mortgage insurance policy?

- ☐ An individual mortgage insurance policy, obtained directly from an insurer, puts you in control of your own coverage.

- ☐ You own the policy. If you decide you want to keep some or all of the insurance after the mortgage is paid off, you may do so.

- ☐ Your insurance is for a fixed amount, based on the original amount of your mortgage. If you purchase a policy for $200,000 and you die when your mortgage is only $100,000, your heirs will still receive the full $200,000.

- ☐ You may name whomever you please as beneficiary – spouse, child, grandchild or friend. They receive the funds directly from the insurance company, meaning they are free to decide whether they want to pay off the mortgage, or invest the funds and use the interest to make the monthly payments.

- ☐ An individually-owned policy is fully portable. When your mortgage renews, you are free to shop around for the best rate. If you decide to change lenders, your individual policy will come with you – completely unchanged from when you first obtained it. You will not have to reapply for coverage, and your premiums will remain unchanged.

- ☐ An individual policy is underwritten based on your individual circumstances. Someone who leads a healthy lifestyle could end up paying a much lower rate for better coverage.

✓Next Steps

- ☐ Do you have any questions?

- ☐ Would you be interested in obtaining a no-obligation quote to see if an individual mortgage insurance policy suits your circumstances?

Call Andy Husband B.Comm.,CFP
at 780-425-4058