

SPECIAL REPORT

How to Avoid Overpaying For Your:

Mortgage Life Insurance
and
Mortgage Critical Illness
Insurance

By: Terry Bialek

Congratulations! You've just bought a new house or condominium and you've arranged a mortgage with the financial institution (bank) of your choice.

Your friendly banker has offered you the ability to purchase insurance in the event of death or critical illness. For mere pennies per day, the banker tells you coverage can be arranged for you and your spouse.



Although clients can decline the insurance they usually feel a certain amount of pressure because they often believe mistakenly that there's a direct link between enrolling in the insurance and getting approved for the loan, or that it comes as a "package deal."

Often clients are not aware of different options to consider when considering insuring their mortgage. Typically the lenders offer a joint first to die policy on a declining benefit basis. This means that if one of a husband or wife die, the mortgage is paid off. If the mortgage has been in place for several years, the actual amount paid out is a fraction of what the original coverage was, even though the premium is based on the original mortgage amount. Further, the surviving spouse is now left with no further life insurance. Depending on the health of the surviving spouse, buying a new life insurance policy may not be possible, or only with an extra rated premium.

The rating of the premiums for the lender's mortgage insurance is based on one rate for all. Men and women, smokers and non-smokers are all rated at the same level. This could work to your advantage if both husband and wife are smokers and not particularly healthy. However, for the majority of the public, if they are non-smokers and in reasonable health, substantial discounts are available directly from a life insurance company. It is not uncommon that for a premium substantially less than the lender's charge, a non-smoking couple in normal health could each purchase a level benefit policy in the amount of the mortgage.



Rating Comparisons:

Example 1: \$150,000 Mortgage Male 35 Years Old Non-Smoker
Female 35 Years Old Non-Smoker

Royal Bank*
Joint First To Die
Declining Coverage
\$27.00 per Month

Bank of Montreal*
Joint First To Die
Declining Coverage
\$28.50 per Month

Standard Life**
Two Individual Policies @ \$150,000 ea.
10-Year Term, Level Coverage
\$23.41 per Month

Example 2: \$250,000 Mortgage Male 45 Years Old Non-Smoker
Female 45 Years Old Non-Smoker

Royal Bank*
Joint First To Die
Declining Coverage
\$102.50 per Month

Bank of Montreal*
Joint First To Die
Declining Coverage
\$107.50 per Month

Transamerica Life**
Two Individual Policies @ \$250,000 ea.
10-Year Term, Level Coverage
\$54.90 per Month

Example 3: \$150,000 Mortgage Male 35 Years Old Smoker
Female 35 Years Old Smoker

Royal Bank*
Joint First To Die
Declining Coverage
\$27.00 per Month

Bank of Montreal*
Joint First To Die
Declining Coverage
\$28.50 per Month

Wawanesa Life**
Two Individual Policies @ \$150,000 ea.
10-Year Term, Level Coverage
\$36.19 per Month

Example 4: \$250,000 Mortgage Male 45 Years Old Smoker
Female 45 Years Old Smoker

Royal Bank*
Joint First To Die
Declining Coverage
\$102.50 per Month

Bank of Montreal*
Joint First To Die
Declining Coverage
\$107.50 per Month

Transamerica Life**
Two Individual Policies @ \$250,000 ea.
10-Year Term, Level Coverage
\$115.65 per Month

* As of January 2006 (From Royal Bank and BMO website)
** As of January 2006 (From Compulife Insurance Search)

The advantages of purchasing directly from a life insurance company are many:

1. Each person has their own individual policy;
2. The premiums are guaranteed for the length of term insurance purchased (normally 10 or 20 years) and are guaranteed to be renewable regardless of health up to age 75;
3. The coverage remains level at the amount purchased as opposed to the lender's declining coverage;
4. Should the husband and wife be killed in a common accident, each policy would pay a benefit to the estate. This would be enough to pay off the mortgage and provide substantial additional funds for children or dependents;
5. Your individual insurance stays with you even if you refinance or change lenders. This could be a very important consideration if you wanted to move your mortgage because of a better rate, but due to medical issues you couldn't qualify for the new lender's insurance;
6. The underwriting of the coverage occurs at the time of the application. Life insurance companies require medical information, medical history and occasionally doctor's reports before they issue a policy. Other than a material misrepresentation on the original application, they must honour the claim. With the lender's insurance, if you can answer four or five questions with a "no", they issue a certificate of coverage. A person with high blood pressure may answer the question about ever having heart problems with a "no." However, if that person died of a heart attack, the lender's insurance could deny the claim on the basis of non-disclosure of medical condition.

Based on the advantages, even two smokers could justify paying a few extra dollars per month.

Life insurance is no different than any other commodity in that if you buy it in bulk, the insurance company will discount the rate. By purchasing a policy from a life insurance company, you may be able to combine all of your insurance needs with one policy. So instead of having three or four low coverage amount policies, one larger policy to cover off the mortgage, car loans, children's education and final expenses may result in a substantially lower cost per thousand of coverage.

By purchasing from a life insurance company, you deal with a licensed life insurance advisor who can help determine the type and amount of coverage that's best for you. A licensed broker can compare rates from up to 25 of Canada's leading insurance companies.

Frequently Asked Questions

Q. What Can I Do If I Already Have My Mortgage Insurance with a Bank?

A. If it is beneficial for you to purchase your insurance separate from your mortgage, all you have to do is request in writing that the bank cancel the life / critical illness coverage provided by them. Of course, you wouldn't cancel the bank's coverage until the replacement policy was in force, just in case you may have become uninsurable.



Q. I have Disability Insurance Where I Work. Do I Need To Buy Disability Insurance To Cover Off My Mortgage?

A. Most group disability insurance includes an offset provision which means that if you have other disability insurance in place, your benefits under a group plan are reduced. You could in fact be paying for something that you may never collect.

Q. I Know What Life and Disability Insurance are but What is Critical Illness?



A. Critical Illness insurance is a relatively new insurance coverage which provides a tax free lump sum benefit if you are diagnosed with a covered condition and you survive for a specific period of time (usually 30 days).

Illness can include Heart Attack, Stroke, Life Threatening Cancer, Multiple Sclerosis, Coronary Artery Bypass Surgery, Kidney Failure, Major Organ Transplant or Major Organ Failure on Waiting List, Heart Valve Replacement, Benign Brain Tumour, Blindness, Deafness, Paralysis, Coma, Loss of Speech, Loss of Limbs, or ALS (Lou Gehrig's disease)

The claim payment may be used for any purpose desired – paying off or reducing the mortgage, seeking immediate treatment in an out-of-country hospital, renovations to a house to accommodate a handicapped person, or a family vacation to aid in recovery.

Q. How Much Critical Illness Coverage Do I Need?

A. While each person's insurance requirements are unique, a minimum of 12-18 months of mortgage payment protection is recommended. Imagine the relief of a person who has possibly suffered a heart attack or cancer, and may need 6-12 months of recovery time, not having to hurry back to work to cover their mortgage payments. Receiving even \$10,000 of tax-free money at this time could have a huge impact on recovery.

Watch your Wallet!

If you are sick and tired of outrageous mortgage insurance costs... take a stand.

For immediate help, call me at (204) 474-1698. Or if you prefer, find the green bulletin in this packet and fax your Information Request Form to me at (204) 474-1401.

**And please smile...
You're about to find out how
To save a lot of money!**



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**Visit my web site at
www.tenstar.harvestmoonlifeinsurance.com for access to
additional reports, product information and quote forms!!**

MORTGAGE INSURANCE FACT FINDER

1. NAMES: _____

2. ADDRESS: _____

3. AMOUNT OF INSURANCE REQUIRED: \$ _____ MONTHLY MORTGAGE PAYMENT : \$ _____

4. Male Female

Male Female

5. Smoker Non-Smoker

Smoker Non-Smoker

6. DATE OF BIRTH: DAY _____ MTH _____ YEAR _____

DATE OF BIRTH: DAY _____ MTH _____ YEAR _____

7. PHONE NUMBER: _____

8. HOW LONG IS INSURANCE REQUIRED:

5 years 10 years 15 years 20 years

25 years 30 years Permanently

9. LIST ALL CURRENT POLICIES SHOWING DATE OF ISSUE, LIMITS OF COVERAGE, AND TYPE OF POLICY (i.e. 5 year term, 10 years, etc.)

