

Financially Speaking

Does your mortgage insurance protect you...or the bank?

Protect your home and family with an individual Life Insurance Plan which will provide you:

- Life insurance protection
- Funds to pay down your mortgage in the event of your death
- Flexibility if you change banks
- Ability to change your policy as your needs change
- A death benefit that is paid to your family and not to the bank.

If your mortgage insurance is from the bank or the mortgage lending institution...

- 1 You are insured under a group policy issued by an insurance company.
- 2 Your policy is subject to change of the insurance provider and the terms of the agreement.
- 3 Your mortgage lender owns the certificate of insurance.
- 4 Your mortgage lender is the beneficiary.
- 5 The amount of insurance protection reduces as you make your mortgage payments.
- 6 The cost of insurance does not decrease even though the amount of protection does.
- 7 The insurance protection is not transferable and is limited to the mortgage you have for a certain property with a certain lender.
- 8 The insurance protection stops when the property is sold.
- 9 No changes are permitted to the plan.
- 10 The insurance is not guaranteed renewable for a new mortgage and, if you change financial institutions, you must provide new evidence of insurability.
- 11 You have a bank employee to look after you.

If you obtain your mortgage insurance from insurance professional like me...

- 1 You are insured under an individual life insurance policy from an insurance company.
- 2 The insurance company cannot change the policy provisions of the guaranteed policy premiums.
- 3 You are the owner of your mortgage insurance policy.
- 4 You name the beneficiary of your choice.
- 5 The insurance protection never decreases unless you request a reduction.
- 6 If you reduce your coverage, your payments will be reduced as well.
- 7 This protection stays in place when you change homes and mortgage lenders.
- 8 The insurance protection stays in place even if the property is sold.
- 9 You can make changes to your policy, including change of beneficiary, amount of coverage and conversion to a permanent insurance policy.
- 10 Insurance protection is guaranteed renewable to age 85 and you can keep it this long if you wish.
- 11 You use your own insurance and financial advisor to arrange and service the policy.

Call me for more information on ways in which you can take control of your mortgage insurance. Even if your mortgage insurance is currently with a bank or trust company, you can still switch to your own individual insurance policy without penalties or fees as long as you are in good health.

Just say “no, thank you” to critical illness coverage (for mortgage)

By ROB CARRICK

Would you like critical illness insurance with that mortgage, Mr. and Mrs. Bank Customer?

We're not yet at the point where banks are posing this question like fast food restaurants asking if you want fries with that burger, but we're getting there. Right now, at least three banks offer critical illness mortgage insurance that is sold alongside that old standby, mortgage life insurance.

Wondering how to respond to your bank's sales pitch on mortgage critical illness coverage? The answer is the same as for mortgage life: No, thank you.

Critical illness insurance is an appealing product in today's world, where you're statistically much more likely to be sidelined with diseases such as cancer or heart disease than you are to die prematurely.

If you had critical illness mortgage insurance and you were diagnosed with these conditions, then your mortgage debt would be paid off. No matter if you get better quickly or remain off work for an extended period, your mortgage is history.

As tempting as this sounds, it's just not a good value for the money you'll spend on premiums. If you really want critical illness coverage, then you're better off buying a separate policy for a specified amount, say \$50,000 or \$100,000.

Compare the cost of regular critical illness coverage and the mortgage variety sold by banks, and you'll find the banks have a price advantage.

Toronto-Dominion Bank, a powerhouse in selling mortgage critical illness, advertises a rate of 39 cents a month per \$1,000 of single coverage for people aged 41 to 45, which works out to \$468 a year on a \$100,000 mortgage.

According to the Kanetix.com website, a male of a similar age could get \$100,000 worth of critical illness coverage from an insurance company for between \$514 and \$609 and a female for between \$509 and \$590. You pay less for critical illness mortgage insurance, but you also get less.

Typically, cancer, heart disease and stroke are the only conditions covered. These diseases account for about 85 per cent of critical illness insurance claims, but it's worth noting that critical illness policies from insurance companies usually list more than 20 conditions, including multiple sclerosis, Parkinson's disease, Alzheimer's disease, Amyotrophic Lateral Sclerosis and kidney failure.

When you buy critical illness coverage from an insurance agent or company, you choose how much coverage you want and the term, say 10 years or until you're age 65. Mortgage critical illness works differently in that the amount of your coverage is tied to your outstanding mortgage balance. **This means that as your mortgage balance shrinks over the years, so does the potential benefit of your insurance policy.**

Yet your premiums remain the same over the years unless you request that they be recalibrated to reflect a significantly lowered mortgage balance. The point is, you have to stay on top of this or you'll end up paying stable premiums for declining coverage.

Then again, it's easier to get mortgage critical illness coverage than it is a policy from an insurer. TD's form has just five questions, whereas an insurance agent selling critical illness coverage will subject you to a long, detailed application form that could be supplemented with requests for blood and urine tests, depending on how much insurance you're looking for.

On the face of it, mortgage critical illness coverage is cheaper but somewhat less all-encompassing. In the real world, though, the price advantage may not work in your favour. For one thing, you could find mortgage critical illness bundled together with mortgage life insurance, as is the practice at TD. This would increase your premium costs substantially.

Another issue is that TD's mortgage critical illness coverage can only be bought for the exact amount of your outstanding mortgage balance -- you can't just say you want to cover \$100,000 when you have a \$150,000 mortgage...**A more economical plan is to just buy a \$50,000 or \$100,000 critical illness policy from an insurance company.** You could get a 10-year, \$50,000 policy -- you won't face any premium increases over that period -- for roughly \$310 to \$380.

No, your mortgage won't disappear if you become critically ill. But you will have affordable coverage that can carry your mortgage payments for a year or two, with money left over for other things.



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