Bank VS. Personally Owned

Mortgage Life Insurance

What is it?

It is basically TERM life insurance.

The banks need to ensure that you will not default on your loan, therefore they will ask you whether or not you would like your mortgage life insured. You have a choice, you can buy it through the bank or you can buy your own from an insurance company.

Question	From the BANK	Personally Owned
Is my coverage decreasing?	YES	NO
Are my premiums level every time I renew my mortgage?	NO	YES
Can I designate my own beneficiary?	NO	YES
Can I use the proceeds at my own discretion?	NO	YES
Do I have complete control over the policy?	NO	YES
Is it portable from bank to bank?	NO	YES
Can it be upgraded or converted without evidence of insurability?	NO	YES

Why is the bank's mortgage life insurance decreasing coverage?

Every month you pay off your mortgage therefore, the amount you owe decreases, however your premiums remain the same until you renew your mortgage. At that time you will be older, therefore your premiums will go up in price. Also, the bank is the only beneficiary.

In the eyes of the bank, the mortgage life insurance they provide is to protect their interests, their shareholders and to reduce their risk if you default on your mortgage obligations.

What is personally owned life insurance?

It is buying your OWN term life policy for a specific amount of coverage and for a specified period of time (IE 10, 20 years), therefore your premiums are level and because you own it, you control it. You can name a beneficiary, they receive the proceeds of the policy tax free and they can pay off the amount owing on the mortgage and use the rest of the money as they wish. Talk to your insurance advisor for more information.

Engrace Financial Solutions Inc. 19th floor, 1500 West Georgia St., Vancouver, BC V6G 2Z6 Telephone: 604.428.8765 Fax: 604.687.7763
www.engracefinancial.com