

Why should I buy life insurance instead of Mortgage insurance from a bank?

These are some of the issues with purchasing mortgage insurance from the banks.

- 1.) You are in a vulnerable position as you have just received your mortgage from the bank and can feel obligated to buy the insurance from the bank as they push the forms in front of you, often with little explanation or recommendations.
- 2.) The most important reason is that Bank mortgage insurance is a type of “No Medical Insurance”, often with very little support to ensure that the medical questions are answered correctly and is most often sold by *unlicensed* people. Only after you have passed away do the life underwriters start asking the hard questions about your health. It is what we call *POST-CLAIM UNDERWRITING*. If you have a medical condition and you inadvertently answer one of the questions incorrectly, your claim will likely be denied. By protecting your mortgage through a life insurance policy the underwriting is done at the time of application.
- 3.) The amount of coverage under the bank plan is usually equal to the mortgage limit and that limit of coverage will decrease as your mortgage decreases. Whereas the amount of coverage in your life insurance policy remains same for the policy term.
- 4.) The premiums under a bank mortgage plan usually increase every 5 years while the limit of coverage continues to go down. Whereas life insurance limits and premiums remain the same for the term of the policy.
- 5.) Another advantage of permanent life insurance is that it is portable. With mortgage insurance if you were to become seriously ill and want to change lenders you most likely won't qualify for mortgage insurance with the new mortgagor. This means you won't be able to leave your current lender and the amount of coverage will continue to decline over time unless you are prepared to go without insurance all together. So you can't move and can't borrow more money that will be protected by insurance. Having a permanent policy prevents this from ever becoming an issue.

Therefore mortgage insurance may be a couple dollars less initially but the advantages of permanent life insurance far out way those savings and those cost savings will diminish over time as your mortgage limit decreases and the premiums rise. The fact is that you rarely ever need less life insurance coverage as you age. The smart money is on buying permanent coverage vs mortgage insurance as it will serve you well in the future. By purchasing a life insurance policy through a licensed insurance broker you can feel secure in the knowledge that you have the right coverage that is fully secured.