

The facts on mortgage life insurance

For most Canadians, buying a home is the largest single investment they'll ever make.

To protect this significant asset for your family in the event of death, disability and critical illness, many lending institutions will offer you mortgage life insurance.

However, you should know the difference between mortgage life insurance and personal insurance before you sign on the dotted line. Otherwise, you could find yourself with coverage that does more to protect the lending institution than your home and family.

Mortgage life insurance versus personal insurance

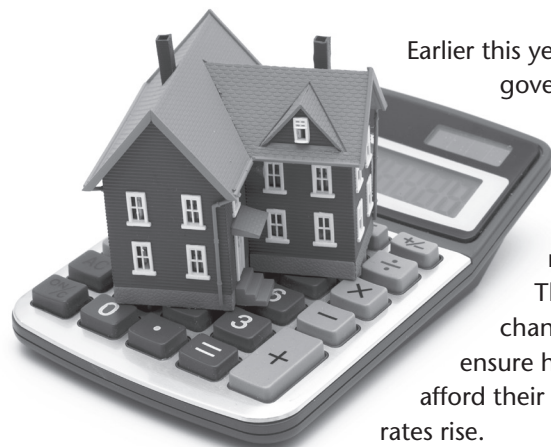
Here are some key facts to consider when comparing personally owned life, disability and critical illness insurance offered by insurance companies, with creditor mortgage life insurance offered by many lending institutions.

Mortgage life insurance through most lenders	Personal life insurance
<p>If the person who holds the mortgage dies prematurely or becomes critically ill, mortgage life insurance automatically pays the remaining mortgage balance directly to the lending institution.</p> <p>In the event of disability, the monthly payments are paid until you are no longer disabled or until the mortgage is paid off.</p>	<p>Life and critical illness insurance pay a one-time lump sum, if the policyowner dies or is diagnosed with a covered critical illness (and satisfies the survival period). The benefit can be used for any purpose, including paying off a mortgage.</p> <p>Disability insurance will pay a monthly income benefit meant to help replace lost income. The benefit can be used to cover mortgage payments and/or other ongoing expenses; like groceries, vehicle payments and other household expenditures.</p>
<p>Generally, is non-convertible term insurance with no cash value, premium flexibility or the ability to move to a permanent insurance policy if your needs change.</p>	<p>Term plans for life or critical illness insurance are usually convertible to permanent coverage, without a new medical exam. Plus, flexible plan designs give you more options to tailor your coverage.</p>
<p>As the mortgage principal decreases, the coverage amount also decreases. Coverage terminates when the mortgage is paid off.</p>	<p>Amount of coverage isn't reduced as your mortgage balance declines.</p>
<p>The cost per thousand dollars of coverage generally increases every year which means technically, costs may increase while coverage decreases.</p>	<p>You choose the type of insurance that best suits your needs, with premiums to fit your budget. For example, choose from a range of term and permanent insurance solutions. Many policies offer rates that do not change over the life of the policy.</p>
<p>The lender owns the policy. Cannot be moved to another lender. If a better mortgage is found somewhere else, you may have to re-qualify medically for mortgage life insurance protection. If your health changes, you may become uninsurable.</p>	<p>You own the policy, not the lender. You are free to switch your mortgage to another lender without jeopardizing coverage.</p>
<p>Fewer options available to customize coverage to best meet personal needs.</p>	<p>The insurance policy can be customized with many options and features, such as having life or critical illness insurance premiums waived in case of a disability. In addition, some policies have return of premium options that can help you recoup the premiums if no claim is made.</p>

Get the best value for your mortgage protection

Make sure you are informed of your options before you negotiate with your lending institution. Your financial security advisor will be happy to answer any questions you may have about how you can get the most from your insurance.

Understanding the new federal mortgage lending requirements



Earlier this year, the federal government introduced new lending criteria for government-insured (high-ratio) mortgages. The intent of the change is to help ensure homeowners can afford their home if interest rates rise.

With a *conventional* mortgage, you need a minimum down payment of 20 per cent of the purchase price. High-ratio mortgages are available that can reduce your down payment requirement to as little as five per cent of the purchase price. This type of mortgage requires mortgage loan insurance that is obtained through the Canadian Mortgage and Housing Corporation (CMHC) or private mortgage insurers.

What this means to you

Homebuyers seeking a high-ratio fixed rate mortgage with a term of less than five years or a high-ratio variable rate mortgage of any term must now qualify for a five-year fixed rate mortgage, even if they choose a mortgage with a lower interest rate and shorter term. Buyers would still pay the rate in effect for the mortgage selected.

For conventional fixed rate mortgages with a term of five years or longer, the actual contract interest rate would be used for qualification.

Find out how much you can afford

Pre-qualifying for a mortgage will help you set realistic expectations when shopping for a new home. The process also will tell you the maximum amount you can afford to pay for a home.

If you're buying a home or renewing your mortgage, talk to your financial security advisor. He or she can refer you to a mortgage planning specialist who can help you find a mortgage that works for your individual situation.

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Whether you're saving for retirement or beginning to think of ways to draw income from your non-registered funds, there are tax-efficient solutions to help maximize the efficiency of your financial security plans. Your financial security advisor can help you determine what combination is most beneficial for you.

Make your investment decisions wisely. Important information about London Life's segregated funds can be found in the Information Folder, available from your Freedom 55 Financial security and investment representative and important information about the Quadrus Group of Funds can be found in the funds' simplified prospectus. Please read these documents carefully before investing.

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