Mortgage life insurance vs. traditional individual life insurance

Most insurance and financial experts will tell you that an individual life insurance policy may be preferable to a credit insurance policy. Here are the key differences between the two types of insurance.

CREDIT MORTGAGE INSURANCE	INDIVIDUAL LIFE INSURANCE
Post-Claim Underwriting: Unlike individual life insurance, credit insurance sold through the bank is usually not underwritten until a claim is made. This means the insurance company may determine you are not eligible for a payout even though you have been paying premiums. For instance, a claim may be denied because an investigation of your medical records indicates you once had high blood pressure or high cholesterol that you did not disclose.	**Underwriting:** When you apply for individual insurance through a licensed insurance broker your medical history will be examined before a policy is issued and you start paying premiums. The insurance broker will ask detailed questions and may arrange for a nurse to conduct a physical. You will know upfront whether or not you are covered.
Standard premiums: The mortgage insurance policy sold at the bank is a one size fits all policy. This means everyone who qualifies is considered to be of equal risk. The premiums you pay on mortgage insurance are a fixed amount based on your age and the amount of your mortgage. There is no discount for non-smokers or for women. The premium does not reduce as the mortgage is paid down.	**Individual premiums:** With an individual life insurance policy, the premiums you pay are based on your individual risk. Your health history and exam will help to determine how high or low your premiums are. Non-smokers and women pay a lower premium. The face amount of the coverage remains level.
Decreasing payout: The Mortgage insurance sold at the bank covers a decreasing amount. While your premiums remain the same the amount left on your mortgage decreases. Mortgage insurance will only pay off the balance of your mortgage when you make a claim.	**Fixed payout:** When you purchase an individual insurance policy you pay premiums for a pre-determined amount of coverage. Therefore, if you pay premiums for $100,000 of coverage your beneficiary will receive $100,000.
The bank gets the payout: Mortgage insurance is designed to pay off the bank if anything happens to you. Therefore the insurance payout will be made directly to the bank.	**You choose who gets the payout:** With an individual policy you are free to choose the beneficiary or beneficiaries. If something happens to you, it is up to your beneficiaries to decide what to do with the insurance proceeds.

A complete analysis of your life insurance needs with a qualified and experienced insurance professional will help you to determine what your need for insurance may be. For a no obligation analysis of your insurance planning needs, please contact us to discuss and review your options for your unique situation.