

Mortgage insurance is necessary expense

By: Rosemary McCracken , Postmedia News, March 30, 2011

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CalgaryHerald.com

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A mortgage on a home is one of the largest debts most Canadians incur, and it needs to be taken very seriously. Mortgage holders may want to take steps to protect their family home in the event that payments cannot be met due to death, illness or disability.

Mortgage insurance, available up to age 64 inclusive, will ensure that the mortgage will be paid off in full, up to a certain amount, in the event of the homeowner's death. Karen Blomquist, a Calgary mortgage consultant with mortgage brokerage Mortgage Intelligence, recommends that couples have both spouses covered.

"Cost is based on the amount of the mortgage and the age of the policyholder," she says. "A couple, with both spouses aged 22, will pay a total of \$34.56 a month for a joint policy on a mortgage of \$300,000. Spouses who are 40 years of age will pay \$74.40 a month for a joint policy, and spouses aged 50 will pay \$153.60 a month."

The cost is added to the mortgage and comes out of the owner's account every month. The payout limit is \$500,000.

"When a family is grieving," Ms. Blomquist adds, "the last thing they need is to find out they have big payments to meet."

But what if the homeowner suffers an illness or has an accident, and cannot work? Mortgage critical illness insurance will protect the homeowner who suffers a severe illness that is covered under the policy such as life-threatening cancers, heart attack, stroke and kidney failure. It provides a lump-sum payment or monthly benefits to pay the mortgage on the home -up to a certain amount, such as the \$500,000 maximum offered by Mortgage Intelligence, stated in the policy.

Ms. Blomquist says the 22-year-old couple will pay an additional \$43.20 a month on top of their mortgage life insurance for critical illness coverage; the 40-year-olds an extra \$77.78; and the 50-year-olds an extra \$236.16.

Another type of coverage, mortgage disability insurance, protects homeowners who become disabled and cannot work as a result of an injury or accident incurred on the job, including mental illness. It

will cover mortgage payments up to a certain amount, such the \$500,000 ceiling offered by Mortgage Intelligence.

“The 22-year-old spouses will pay \$20.67 a month on top of their mortgage life insurance,” Ms. Blomquist says. “The 40-year-olds will pay an additional \$26.10, and the 50-year-olds will pay an extra \$39.35. If you’re self-employed and have a mortgage on your home, how can you not have mortgage critical illness and disability coverage?”

Disclosure of any underlying health conditions is important when applying for coverage, she adds. The benefit may be denied if full disclosure was not made. But Lorne Marr, principal at LSM Insurance Services Ltd. in Markham, Ont., recommends taking out life insurance instead of mortgage insurance.

“The mortgage is just one of the expenses a family will face if a breadwinner dies. You should be looking at your family’s needs as a whole: funeral expenses, children’s education and income replacement.”

Life insurance, he says, also gives the survivor the option of paying the mortgage or using the payout for other purposes.