
There is a financial path that many Canadians go down.

The path I am talking about is mortgage life insurance. Many people don't even know if they have it, but many of you do.

My advice: Don't do it.

When getting a mortgage, you are often told by your banker or mortgage broker, "In order to protect your family from the debt on your house, you should get mortgage life insurance. It's just an easy signature."

To be fair, offering this product may be the only option these professionals have. But like many of my columns suggest, just because it is the seller's only option, doesn't mean that it should be your only option.

This is usually one of the easier sales out there for bankers and brokers. But as a consumer, you should be aware that you are primarily protecting the lender.

How is that?

Well, if you pass away, the beneficiary on this type of insurance is the lender, not your chosen beneficiaries.

Why is this important?

If you have a family and you pass away prematurely, they may need the financial flexibility to cover off many needs. If you are the owner of a life insurance policy, your family will receive a lump sum payment that can be used for any purpose. With mortgage life insurance, the good news is that you will no longer have a mortgage to pay. The bad news is that there is no money to cover anything else. Your mortgage expense disappears, but what about the money that goes out the door for property taxes, utilities, food, clothing, transportation and other expenses?

More from Ted Rechtshaffen

- [Putting off saving for retirement?](#)
- [Saving for junior's education](#)
- [Is your financial adviser just pushing funds?](#)
- [How your adviser is paid](#)
- [Whose interests does your financial adviser have at heart?](#)

Here are five other key reasons why it is better to get an independent insurance review than to sign up for mortgage life insurance:

1. You need to ensure proper coverage. Your insurance needs are not based solely on the size of your mortgage. Protecting against lost income is by far a bigger need.

2. Personal life insurance pays out a fixed amount. Mortgage life insurance pays out a declining amount that is linked to your mortgage balance – even though your payments stay the same.

3. Cost. Mortgage life insurance can be more expensive because you are not shopping for the best price. You are simply signing up for the insurance tied to your mortgage.

4. Lack of guaranteed continuity. Mortgage life insurance may be cancelled by the lender if you change lenders, if the mortgage is in default or paid off; and it may not be guaranteed at the mortgage renewal date.

5. Lack of guaranteed payout. This could be the most important issue. Because mortgage life insurance is usually offered based on a questionnaire and not a medical, there is a good chance of “post claim underwriting.” This means that medical issues are explored upon claims (i.e. after a person dies). If you pass away, your medical records would be obtained and a claim could potentially be denied because of something not disclosed properly on the questionnaire. In contrast, when insurance is applied for using a licensed insurance adviser or broker, all due diligence is performed up front; thorough medical questions are asked and, if required, a nurse visits your home or office to perform a physical.

There is, of course, a benefit to getting mortgage life insurance. It is easy. Easy is definitely worth something.

But when it comes to protecting your family properly, you don't want to be remembered for taking the easy route.

If you currently have mortgage life insurance, don't suddenly cancel it. Simply sit down with an independent insurance adviser and ask them to find you a better alternative. Ask all the key questions, and when you are comfortable, move forward knowing that now *you* are protected, not your lender.