

Mortgage Insurance vs. Personal Life Insurance

A Clear Guide for Canadian Homeowners

What's the Difference?

When you buy a home in Canada, your lender will often offer you Mortgage Insurance (also called Creditor Life Insurance). While it may seem convenient, it is very different from a Personal Life Insurance policy — and in most cases, **Personal Life Insurance offers significantly better value and protection for your family.**

Side-by-Side Comparison

Who Owns the Policy	The Bank	You
Who is the Beneficiary	The Bank (not your family)	Your family or chosen beneficiary
Coverage Amount	Decreases as mortgage is paid down	Stays level — full amount always protected
Premium Cost	Stays the same (you pay more as value drops)	Often lower for equivalent or better coverage
Medical Underwriting	Done at claim time — risk of denial	Done upfront — approval is guaranteed
Portability	Tied to your mortgage/lender	Portable — stays with you regardless of lender
Flexibility of Payout	Can only pay off the mortgage	Family can use funds for anything
Coverage if You Switch Lenders	May need to reapply and requalify	No change — fully portable
Claim Certainty	Lower — post-claim underwriting risk	Higher — underwriting done upfront

Why Personal Life Insurance is Usually the Better Choice

- **You control your coverage.** With personal life insurance, your family receives the full death benefit — not just the remaining mortgage balance.

- **No surprises at claim time.** Mortgage insurance uses post-claim underwriting, meaning the insurer reviews your health AFTER you die. They can deny the claim. Personal insurance underwrites upfront.
- **Your premiums don't decline in value.** You pay the same premium for mortgage insurance while the coverage shrinks every year. Personal insurance keeps the full value.
- **Flexibility for your family.** If your family receives a personal life insurance payout, they can pay off the mortgage AND cover living expenses, education, or other needs.
- **Portable and permanent.** Personal life insurance stays with you regardless of which bank or lender you use.

Real-World Example

Suppose you have a \$500,000 mortgage. You buy mortgage insurance from the bank for \$100/month. After 10 years, you've paid off \$150,000 — but your insurance premium is still \$100/month, and the coverage is now only \$350,000. If you pass away, the bank receives \$350,000 — not your family. Alternatively, a \$500,000 personal life insurance policy (20-year term) might cost a healthy 35-year-old as little as \$30–\$50/month. Your family receives the full \$500,000 and can decide how to use it.

When Mortgage Insurance Might Still Make Sense

Mortgage insurance may be appropriate if you have serious pre-existing health conditions that prevent you from qualifying for personal life insurance, or if you need temporary bridge coverage while applying for personal insurance. In all other cases, consult an independent insurance advisor first.