



Protecting Your Mortgage Investment – Looking at Your Insurance Options

The purchase of a home is a major financial commitment, and how best to safeguard your investment is something you have to consider. There are a range of insurance products currently available to make sure that your home and your family's lifestyle are protected. But before you can make an informed choice, it is important to take the time to look at all the possibilities. Here's a quick sketch of various forms of insurance – some mandatory in certain cases, some optional.

Mortgage Insurance is required by law to protect lenders against default on mortgages where the amount of the loan exceeds 80% of the value of the property being purchased. If you have less than a 20% down payment, the loan must be insured through the Canada Mortgage and Housing Corporation (CMHC), Genworth Financial, or other companies, for an upfront fee. This fee ranges from 1% to 3.7% of the value of the loan (depending on the size of the loan compared to the value of the property), can be added to the mortgage, and is usually portable from one property to another. If you have a down payment of at least 20%, you can apply for a conventional mortgage and most lenders won't require mortgage insurance with a down payment that size.

Homeowner's Insurance provides coverage against losses on the physical home and its contents, along with personal liability coverage. This is often referred to generically as fire insurance, although it covers much more than fire damage. In the case of homeowner's insurance, lenders often require proof of adequate coverage prior to advancing funds.

Mortgage Life Insurance pays off your outstanding mortgage balance in the event of your death.

Mortgage Critical Illness Insurance also pays off your outstanding mortgage balance in the event you are diagnosed with severe illnesses, usually ailments such as heart attack, stroke or life threatening cancer.

Mortgage Disability Insurance pays your mortgage payments should you become disabled and are prevented from performing the normal duties of your job.

In the case of life, critical illness, or disability insurance, in deciding which products are appropriate for you, it is helpful to ask questions, such as:

- ***Is the insurance portable?*** With insurance that's portable, there's no need to re-apply for coverage if you happen to switch lenders, or move the mortgage to a new home.
- ***Can you cover more than two individuals with the same policy at a reduced cost?*** This is important when guarantors are required for you to qualify for the mortgage.

- ***Is pre-closing coverage available?*** With coverage that begins as soon as your insurance application has been accepted, you are protected in case an unexpected event occurs prior to the mortgage closing date.

Your financial picture changes significantly when you get a new mortgage. This creates a need for insurance coverage to protect your new investment and your family's future. A mortgage agent can provide you with further information on investigating your various mortgage-related insurance options.