Mortgage Life Insurance: Finding a Policy That Suits You

If you’ve taken out a mortgage loan, or are considering it in the new future, then you should perhaps consider buying life insurance. There are various plans, such as mortgage life insurance, that can be used to help your family cover payments if the worst was to happen. Let’s take a look at how it works and the types of cover available…

What is mortgage life insurance?

Mortgage life insurance is a type of life insurance plan designed to assist your loved ones in paying off a mortgage. If you pass away during the term of your mortgage, your family will receive a lump sum, allowing them to pay off the outstanding balance. This could save them from having to sell their home, or even worry about selling it.

The benefit of mortgage life insurance is that it provides a single payout rather than multiple payments. This makes it easier for people to budget their money correctly. Additionally, you’ll know how much you’re receiving immediately upon passing away.

Which type of policy should I buy?

The first thing you need to decide is what kind of insurance coverage you want. There are a number of policies available that can be used to cover a mortgage. These policies include:

Decreasing term life insurance

This type of cover is designed for helping your family with large payments, like a mortgage. It allows you to choose an amount of coverage at the time of purchase.

This is different from traditional term life insurance, because the payout value decreases as you make repayments on your mortgage. However, just like a term policy, it covers you for a set number of years, after which the policy will expire.

Level term life insurance

This policy offers a fixed amount of coverage over a certain period of time. The length of the policy term depends on how long you require cover for, or the length of your mortgage plan. When you die, the policy pays out a lump sum, which your family can use to pay off the remaining balance on your home's mortgage.

Just like any type of policy, you are required to pay a monthly premium for cover. With level term cover, the premium rate remains fixed throughout the policy.

Whole life insurance

Also known as life assurance, whole life insurance provides permanent protection in the event of your death. When this happens, your insurer pays out a cash lump sum to your family. With this money, they can pay off the remaining balance on your home's mortgage and other bills.

Whole life insurance is typically more expensive than other types of cover. However, both the value of the death benefit and premium rate remain fixed throughout the policy. One of the main benefits is that the policy pays out regardless of when you die, unlike term life cover.

Ultimately, the policy you choose should reflect on a number of factors, such as:

- Your budget
- The balance on your mortgage
- Other financial commitments of your family could need support
- How long you expect to pay off the mortgage within

How much mortgage life cover do you need?

The amount of cover you take should match the amount you are borrowing. As everyone's mortgage is different, there is no same answer for everyone.

However, we recommend taking out around an amount that matches the current value of your mortgage. This ensures that your family has enough money to pay off the outstanding mortgage balance.

It's important to make sure you take out the right amount of cover, otherwise you could be paying more in premiums than required. You'll also need to update your policy should you decide to extend your mortgage loan, or decide to borrow more money.

The handy thing about life insurance is that it can be used to cover a variety of bills, not just a mortgage. In fact, your family can use the payout from your policy to cover payments such as:

- Living expenses
- Funeral costs
- Medical bills
- Debts
- Childcare support

How much does mortgage life insurance cost?

The amount you pay for this kind of life insurance depends on many things, including:

- **Your age –** Premiums tend to rise as you get older. If you're looking for a cheaper premium, it's best to take out cover at an early stage.
- **Occupation –** Premiums can be higher if you work in a dangerous occupation where there is a high risk of death.
- **Health and medical history –** When applying for a policy, you may have to partake in a medical exam or questionnaire. If you have any health conditions or a family history, you may be required to pay a higher premium for cover.
- **Lifestyle factors –** If you are a smoker, you can expect to pay higher premiums than non-smokers. However, some providers will reduce these premiums if you remain smoke-free for at least 12 months.
- **How much money you owe on your mortgage –** Having a larger mortgage balance can result in paying a higher premium for protection.

If you're ready to buy a mortgage life insurance policy, there are a few routes you can explore. One of the easiest routes is by heading to an online comparison site and applying for a quote. However, this is more beneficial if you know exactly what type and amount of cover you need.

If you're unsure on which type of policy is right for you, or how much cover you need, get in touch with a discount advisory broker. Not only can they offer professional guidance in helping you find the right policy, they can also give affordable quotes from leading providers.

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