# Term life versus mortgage insurance

Did you know there's a less expensive — and more flexible — alternative to mortgage life insurance? Banks offer this type of insurance when you renew a mortgage or buy a house through them. What you may not know is you have a better alternative.

Term life insurance is a smarter option. The key difference between the two options is this: **mortgage insurance pays the *remaining balance* of your mortgage to the bank** if you pass away; term life insurance pays the *entire death benefit amount* to your beneficiary.

What this means is that the amount of **your mortgage insurance coverage declines** as you pay down your mortgage balance each month (*without* a corresponding decrease in premiums). With term life, the amount that your beneficiaries receive will stay the same throughout the life of the coverage because it is not tied to your debt.

With **premiums for mortgage insurance usually much higher** than for term life insurance, you can see why it makes more sense to choose term life to cover all your financial obligations, not just your mortgage.

| | **Mortgage life insurance** | **Term life insurance** |
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| **Beneficiary** | The bank is the beneficiary and the death benefit goes directly to them to pay off your mortgage balance. | Your family receives the payout and decides what to do with it (whether to continue making monthly mortgage payments, pay it off, or meet other obligations). The choice is theirs. |
| **Coverage** | Your coverage gets smaller as you pay off the mortgage but your premiums remain the same. | You can decrease your coverage as you pay down your mortgage and pay less in premiums, or keep your coverage the same. The choice is yours. |
| **Portability** | If you switch lenders, you'll need to take out a new policy and re-qualify for insurability. | Your coverage is not tied to your mortgage — so you can switch lenders or refinance while keeping the same term life coverage. |

Learn more about the Engineers Canada-sponsored Term Life Insurance.