

Price Variation in Mortgage Protection Market Could Lead to Consumer Savings of €7,600

“First Time Buyers need to know they have more than one option” - Sara Murphy of Caledonian Life

The purpose of a mortgage protection policy is to provide a lump sum of money to repay the outstanding balance on your mortgage, should you die. In most cases your mortgage protection policy will be assigned to your mortgage lender, as security for your mortgage loan. In most circumstances, lenders require a borrower to have this in place before they grant mortgage approval – but even if they don't mortgage protection affords people the peace of mind that a major financial liability will be taken care of, and will not be left to their family to deal with, should they pass away.

There are a variety of providers of mortgage protection and similar to other insurance products the costs vary significantly from provider to provider – so much so that over a term of 25 years we have seen that a consumer can pay anywhere from €1,800 to a staggering €7,600 more, simply by choosing one mortgage protection policy over another.

Cost per month for Mortgage Protection Cover for a €300k mortgage						
Age next birthday		Smoker Status	Cheapest	Most Expensive	Difference	Difference over 25 years
1st Life	2nd Life					
30	27	Non-smokers	20.69	27.02	30.6%	€1,899
40	37	Non-smokers	39.71	46.57	17.3%	€2,058
30	27	smokers	34.18	44.49	30.2%	€3,093
40	37	smokers	75.51	100.85	33.6%	€7,602

Quotes based on a Mortgage Protection policy with Term of 25 years. Prices quotes per month. Premiums shown include the Government Levy (currently 1%). (Source: Caledonian Life & Best Advice. Comparison valid as at 13/02/2013).

In recent years the life assurance market as a whole has undergone many changes and a more price conscious consumer coupled with greater competition and increased efficiencies has led to life companies and lenders offering very favourable rates for mortgage protection policies. A mortgage is one of the biggest financial decisions people make and getting the best priced mortgage protection insurance that meets your needs should be a part of the process. The trick for the consumer is to scour the market in search of the best rate – or to engage the expertise of a broker to do it for you. As the figures above show, this can result in substantial savings.

One particular area for concern we have seen in the mortgage protection market is first time buyers' (FTB) belief that lenders will look upon their mortgage application more favourably if they take out a mortgage protection policy with that bank – or worse still that they must take a policy with the lender. This well intentioned desire to keep the banks, as the borrower may mistakenly see it, “happy”, could end up costing the buyer in the long run. This is because some financial products offered by the lender, are in some cases actually more expensive when compared with other similar products available on the market. Mortgage protection cover has been found to be one such case.

It is so important that people realise that they can shop around for this type of cover and that by doing so, can get a much better deal. Rather than the bank being a one-stop-shop when it comes to a mortgage and mortgage protection insurance, FTBs or any other mortgage holder for that matter, are not under any legal or moral obligation to purchase or retain these type of products from their mortgage lender only.

A mortgage is a huge undertaking for any individual or young couple and now more than ever, it can be a daunting process. However, while in the throes of all the financial administrative work associated with getting a mortgage, this is an opportune time for people to consider and review all of all their major expenditures – from savings to pensions; from life assurance to car insurance.

Your mind will never be more in tune with your personal financial circumstances than when you're taking out a mortgage. So why not make use of this situation by sorting out all the other considerations which people often tend to put on the long finger. A broker will be able to offer anyone in the process of taking out or applying for a mortgage an independent and impartial financial review. Brokers have access to multiple product providers and are obligated by regulation to offer their clients the best product and price to meet their needs.

Having just revamped our own offerings, in terms of product and price, we appreciate the need to tailor products for a more price conscious consumer. As the Irish public adapt to these financially challenging times, cost savings are now paramount to any household budget and ensuring you are getting the best deal on your mortgage protection insurance can yield significant savings.

Editor's Notes:

Caledonian Life

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