



# Your Life Insurance Questions *Answered*





# Life insurance is complicated, **but** life insurance answers don't have to be.

Searching for answers to your insurance questions can seem daunting when you don't know where to turn.

At PolicyAdvisor, our team of experienced advisors help demystify and explain the ins and outs of life insurance and other types of coverages.

The following are some of the most common questions we receive from Canadians everyday, and the honest answers you should expect from your insurance advisor.



# What is life insurance?

Life insurance is an agreement between you and an insurance company, where if you pass away, the company will pay a **death benefit**: a lump sum of tax-free money to someone you choose – your **beneficiary**. In exchange, you agree to periodically pay them an insurance **premium**: a small amount of money over time.


You both decide on the amounts of cash coming in and out and the timeframes involved. You can also choose optional add-ons called **riders** which augment the coverage.

Main reasons people take out a life insurance policy:

- help pay off their debts
- cover everyday expenses so their family can maintain the same standard of living
- provide for their children's education
- pay for their funeral arrangements
- make a large donation to their preferred charity
- protect their business

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# How much life insurance do I need?

Finding the sweet spot for how much life insurance you need is no enviable task. You don't want to choose so little as to not cover any outstanding debts as well as the cost of living for those you leave behind.

At the same time, choosing an amount that's too large may prove costly in the future. What if you realize you may not have needed that much insurance coverage and could have saved some money?

A common rule of thumb is to choose 8-10 times your yearly income as your death benefit. For a more precise answer, take into account any debts you have, your family's living expenses, future education needs of your children, plan for end-of life expenses and any other allocations (e.g. charitable donations) you may want to make.

Our life insurance needs calculator takes your financial situation and allocation preferences into account and helps you determine the right amount of coverage for your needs.

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# How much does life insurance cost?

Several factors determine the cost of life insurance, but they can be divided into 2 buckets: personal (your health status and other factors unique to you) and policy (the type and amounts of coverage you choose).

PERSONAL DETAILS	POLICY DETAILS
Age	Term length
Smoking status	Coverage amount
Gender	Type of insurance
Health	
Family medical history	
Occupation	
Lifestyle choices	

Lastly, insurance companies price their policies differently from one another based on their cost and return expectations.

To get an accurate picture of how much life insurance might cost for you, use our life insurance quoting tool. By answering a few questions you can get no-obligation quotes from 20 of Canada's top insurance companies.

Go ahead and try it out. It takes less than 2 minutes.

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# What's the difference between term and whole life insurance?

**Term life insurance** covers you for a fixed period of time such as 10, 20, or 30 years, or until you reach a set age, like 65 years old. You pay premiums periodically during that term and should you pass away, your beneficiaries will receive a tax-free lump sum payment that you determined when you first started your policy. If you outlive the term, there is no payout, and thus the coverage is less expensive.

**Whole life insurance** covers you for your entire life. You pay premiums periodically until your death, OR until you surrender the policy for its accumulated cash value. Because the policy never expires and there is an added savings or investment component, the monthly premiums for whole life insurance are significantly higher than those for term life insurance.

Term Life
Temporary coverage for a fixed period of time
Best suited for temporary needs (mortgage, children's education, lifestyle protection)
Offers death benefit but does not build any cash value
Death benefit is fixed when policy is purchased and doesn't change
Loans/withdrawals cannot be taken against the policy
Benefits will be received only at policyholder's death

Whole Life
Guaranteed lifelong coverage
Best suited for permanent needs (estate planning, retirement income, final expenses)
Offers death benefit and access to a growing cash value
Death benefit may increase with dividends
Policy loans can be taken and dividends may be withdrawn
Benefits may be received during lifetime as dividends or loans

Generally, term life insurance is a more cost-effective choice when you are young, and your needs are large but mostly temporary (like raising children or covering your mortgage debt). In contrast, whole life insurance policies provide lifelong protection from your death's financial impact on your dependents.

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# How does mortgage insurance work and do I need it?

In Canada, mortgage insurance is a protection product, typically offered by your mortgage lender. In the unfortunate event of your death, with your mortgage loan still outstanding, this insurance will pay off the remainder of your mortgage debt. It should not be confused with mortgage default insurance or mortgage loan insurance.

There are several problems with lender-provided mortgage insurance: coverage reduces with time, premiums get more expensive with age, premiums even increase when you refinance or port your loan, you have no control on the proceeds, the coverage is not even guaranteed, and many others.

Mortgage insurance is not mandatory. Instead, **term life insurance** pulls double duty, protecting your mortgage debt and covering other life insurance needs at the same time. **And**, the coverage and premiums are guaranteed.

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## Your Lender's Mortgage Insurance

Only covers mortgage

Lender is the only beneficiary

Only covers borrower

Cover reduces over time

Significantly more expensive

Coverage not guaranteed

Tied to one lender

No control of use of proceeds

## Mortgage Protection w/Term Life Insurance

Cover mortgage and other needs

You choose the beneficiary

Can cover borrower and family

Same coverage throughout term

Lower cost for same coverage

Guaranteed coverage

Flexibility to choose lender

Flexibility to use proceeds

# Which is the best insurance provider?

There is no best insurance provider. There is – however – the best insurance provider for you. The country's top insurance companies offer unique policies to fit every Canadian's individual coverage needs. What helps is having the choice and knowledge to pick the policy and provider that's right for your situation.

At PolicyAdvisor, we partner with 20 of Canada's top insurance companies – the most by any online broker. We make sure you have the greatest number of options when choosing the insurance company to protect yourself and your loved ones.

Click on our reviews to the right to find out where each provider excels in providing Canadians coverage.

**THE BEST TERM  
LIFE INSURANCE  
COMPANIES**

**THE BEST WHOLE  
LIFE INSURANCE  
COMPANIES**

**THE BEST CRITICAL  
ILLNESS INSURANCE  
COMPANIES**







# Can I get life insurance without a medical exam?

With our new found focus on social distancing, many are uncomfortable with the thought of going to a crowded lab for medical tests or inviting a stranger in their home for a medical exam. Luckily, there are several options for life insurance coverage without a medical examination or bloodwork.

Type	Accelerated Issue	Simplified Issue	Guaranteed Issue
Best Suited For	Those in good health	Those seeking faster approvals, wanting to avoid needles, or with pre-existing health issues	Those declined for traditional coverage, with final expense needs, or those with severe pre-existing health issues
Medical Questions	Extensive	15-25 questions	1-5 questions
Medical Tests	May be required	None	None
Max Coverage	Up to \$1,000,000	Up to \$750,000	Up to \$50,000
Approval Time	Instant issue to 4 weeks	Instant issue to 1 week	Instant issue to 48 hours
Cost	\$	\$\$	\$\$\$

Besides an aversion for blood tests, there are several other reasons someone might elect for non-medical life insurance. If you have been declined for coverage in the past, or simply need coverage faster than medical underwriting will take to complete, a simplified or guaranteed issue insurance policy provides more options.

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# Which is better: joint or single life insurance?

A joint life insurance policy covers two or more lives. It is usually purchased by couples who want to cover themselves jointly under one policy. There are slight cost savings, and – arguably – it is less complicated as you both apply at the same time.

However, it is not as flexible as individual term life insurance.

With individual policies, the type, term length, and death benefit can be


customized, and the policies will pay out individually which can be of extra help to your dependent beneficiaries.

Several companies also offer discounts when you and your special someone apply together for individual policies.

For those reasons, we generally recommend you look at an individual or multi-life insurance policy for yourself and your partner when contemplating your coverage needs.

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# Can I hold multiple life insurance policies?


Yes! In Canada, it is perfectly legal and commonplace to hold multiple life insurance policies. While there is no legal maximum number of policies, insurance companies will look at the total amount of coverage you are seeking to determine whether it is reasonable and consistent with your needs.

In fact, you may already hold multiple life insurance policies and not even know it. As most workplace insurance benefits include a nominal life insurance policy, you would hold multiple policies if you took out any coverage on your own.

Beyond that specific situation, you can choose to have multiple life insurance policies of your own – even from separate insurance providers if you choose. Many Canadians take on several policies with differing terms and death benefits to cover a variety of needs.

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# What other types of personal insurance should I think about?

## OTHER IMPORTANT PERSONAL COVERAGES

**Critical illness insurance** pays out a tax-free, lump-sum of cash should you contract an illness or health event outlined in your policy. Coverage is defined by a term-length, agreed upon when purchasing your policy. The payout is not contingent on your death; instead, it is paid out once proof of a specified illness or incident is established. In most cases, a 30 day survival period has to be completed.

**Disability insurance** replaces a substantial portion of your monthly paycheck, if you become disabled. Your insurance provider typically agrees to replace 60 to 80 percent of your regular income, regardless of whether the loss of your earning ability was due to a sudden accident or a degenerative illness. This 'benefit' payment is made to you until you return to good health (i.e. resume working) or until the end of your disability coverage period – whichever comes earlier.

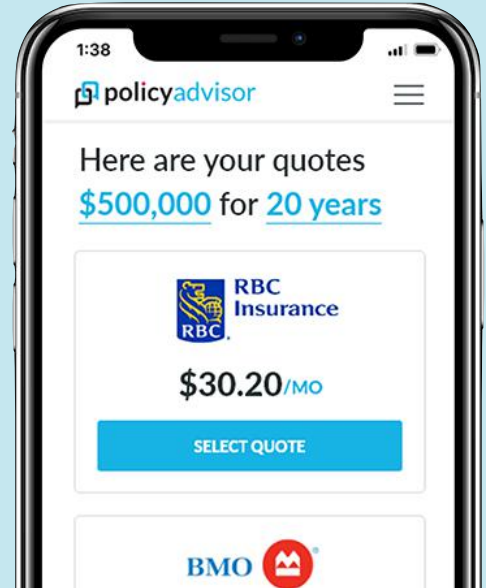
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# Why choose policyadvisor?

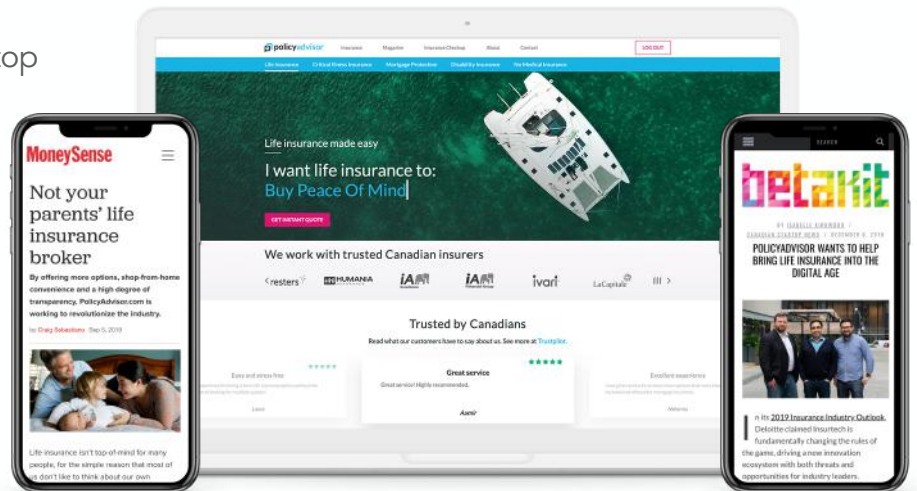
## WHAT WE OFFER

- Quick, simple tools to evaluate your insurance needs and find competitive quotes in minutes
- Get coverage from your laptop or phone, with our easy and secure online application process
- The most choice of any online broker in Canada
- A personal insurance concierge from day 1 of your insurance search
- Advice and support from experienced insurance advisors via phone, chat, email, or video call



PolicyAdvisor is a new kind of online insurance broker. We provide a digital solution to an archaic industry, combining modern technology, intuitive design, and real-world expertise to make insurance buying simpler, straightforward, and stress-free.

We partner with 20 of Canada's top insurance companies and offer calculators and quoting tools to get you coverage as quickly as you need. Book a no-obligation call with us anytime to go over your current coverage or start a conversation about any new insurance needs.



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