HOW DOES

# MORTGAGE PROTECTION

WORK?

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## Post 1 of 12: What even is mortgage protection?

If you're just getting started, you might hear the words mortgage protection and life insurance being thrown around and you’re wondering if they're the same thing.

Short answer: yes... and no 😕

Mortgage protection is a type of life insurance,
but it has limitations.

It only pays out if you die during your mortgage term.

And the money doesn’t go to your family
— it goes straight to the bank to clear the loan.

That’s why it’s the cheapest form of life cover:

It only covers one thing,
and it benefits the bank,
not your loved ones.

You must have mortgage protection in place
before your bank will allow you to draw down.

But you don’t have to buy it from your bank
— you can shop around (and you should).

## Post 2 of 12: Do I have to buy mortgage protection from my bank?

Short answer: no.

Longer answer: absolutely not
— but they'll often make it sound like you do.

When you're sorting your mortgage,
the bank will usually toss in mortgage protection with a

"Don't worry, we'll sort that for you."

Like they're doing you a favour. 🙄

Convenient? Yes.

But it's rarely the best deal.

And you're under no obligation to buy it from them,
regardless of what they might say.

Legally, you can shop around and choose your own policy,
as long as it meets the bank's requirements.

And 9 times out of 10, you'll get better value by shopping around,
thanks to discounts in the broker market.

🏥Finally, if you have health issues,
you owe it to yourself to do a bit of research.

A broker can find you the most understanding insurer
based on your health.

Remember, the bank is tied to one insurer:

If their one insurer doesn't like the look of your medical file,
you'll be left scrambling — while they shrug and say
"eh, maybe try a broker"

## Post 3 of 12: What’s the difference between mortgage protection and life insurance?

It’s easy to mix these up, especially when the bank says you need life insurance when what you actually need is mortgage protection.

Here’s the difference 👇

Life insurance pays out a fixed lump sum if you die.
You choose the amount and who gets it
— your partner, your kids, whoever.

They can use it for anything:
mortgage, bills, school fees, holidays
— i.e. it helps them financially survive without your income.

Mortgage protection, on the other hand, is tied to your mortgage.

The cover reduces over time,
and the payout goes straight to the bank to clear the loan.

It won’t leave anything behind for your family.

That’s why mortgage protection is cheaper.

It’s a single-purpose policy.

But that also means it’s not a substitute for proper life cover
— not if you’ve got kids, a partner, or anyone depending on you.

If you’re getting a mortgage, you need mortgage protection.

If you want to make sure your family are okay if you shuffle off unexpectedly, you need a separate life insurance policy.

## Post 4 of 12: Should we get one mortgage protection policy — or two?

Most first-time buyers assume one policy between them is enough.

And technically, it is — the bank just needs the mortgage cleared if one of you dies.

But here’s the bit nobody tells you:

If you’re not married, having just one policy can leave the surviving partner with a hefty inheritance tax bill.

If the policy pays out in the first three years to clear the mortgage, Revenue treats the value of the house that the survivor receives as a gift.

And if you’re cohabiting, the tax-free threshold for gifts is just €20,000.

Everything received above that is taxed at 33%.

So even though the mortgage is gone, your partner could still owe tens of thousands in tax.

That’s why we recommend two single-life policies — where each of you owns your partner's policy.

It won’t eliminate the tax entirely, but it shows Revenue you each paid for your partner’s cover so the survivor will end up paying less tax.

💍If you're married, this isn't a problem.

If you're not, it's something you really want to get right from the start.

## Post 5 of 12: How do I choose the right mortgage protection policy?

In Ireland, we've got six insurers offering mortgage protection:

Aviva, Royal London, Zurich, Irish Life, New Ireland, and Laya (though Laya don't deal with brokers).

So, how do you choose? 🤔

1. Got health issues?

Some insurers are stricter than others.
You want the one that's most lenient for your particular condition.

A specialist broker can match you with the best option for your health history.

2. No health issues?

🎁Some insurers throw in nice freebies like free Digital GP, second medical opinions, etc.
Aviva tends to lead the pack here.

3. Already have good health insurance with access to all that stuff?

Cool — maybe those extras don't matter to you.
So let's go deeper:

What happens if you get sick and can't work?

Will your insurer keep your policy in place — and pay your premium for you?
Spoiler: Zurich will.

Of course, if you're in tip-top health and don't care about bells and whistles…

You could just get quotes and go with the cheapest.

## Post 6 of 12: Should I add serious illness cover to my mortgage protection?

You can — and it's not necessarily a bad idea.
As long as you understand how it works.

If you're diagnosed with a serious illness
— like cancer, heart attack or stroke —
and the policy pays out, the money doesn't go to you.

📉It goes straight to the bank to help clear your mortgage.

So yes, it does reduce your financial pressure, but it won't help with treatment costs, time off work, or everyday bills
— because you won't see a cent of it.

That's why the bank is very keen for you to add serious illness cover.
Because the payout protects THEM, not YOU.

Once you understand that (and you're still happy to go ahead),
then by all means, crack on.

But for most people, there's a better option: income protection.

We'll get to that in a later post. 🗓️

For now, just know:

If you want serious illness cover where the money goes to YOU,
not the BANK— it needs to be a separate, standalone policy,
not bundled into your mortgage protection.

## Post 7 of 12: Can I switch my mortgage protection policy?

Short answer: Yes — and in some cases, you really should.

A lot of people set it up once, usually through their bank, and never think about it again.

But things change.

Maybe you've made a big lump-sum payment off your mortgage.

Maybe you're a non-smoker now (or at least 12 months off the cigs).

🏃Maybe your health has improved since you took out your original policy.

Any of these could mean you're overpaying.

And if your bank sorted the policy for you the first time around, there's a decent chance you're not on the best deal anyway.

Here's what most people don't realise:

There's no penalty for switching mortgage protection.🙌

No minimum term. No lock-in.

You could swap your policy the day after drawdown if you wanted to.

🐶So if you've been sold a pup, you're under no obligation to keep said pup.

At the very least, it's worth getting a quote to see if switching makes sense.

You might save a few quid, you might get better benefits.

## Post 8 of 12: When should I start mortgage protection?

Short answer: Before you sign contracts
(don't wait until drawdown!)

Most people think an offer of mortgage protection means the job is done.

But an offer is just that — an offer.

It's not binding until the policy is issued and active.😥

If your health changes, that offer can disappear — and if it does, you could lose the house (and your 15% deposit)

Especially if you've already been through the underwriting wringer and got approved with a health issue — don't risk it.

⚠️The only way to lock it in is to start the policy.

By the way, until the policy is assigned to your lender, it's technically a personal life insurance.

So if one of you were to pass away before drawdown, your partner would receive the full lump sum and could buy a home outright with cash.

It's not wasted money.

💆‍♀️It's peace of mind,

Yes, you might pay a couple of months of premiums before you get the keys.

But that's a small price to avoid a total collapse of the mortgage, or worse, losing the house due to a late health hiccup.

## Post 9 of 12: Can I combine life insurance and mortgage protection?

A lot of people try to be clever here.

They think:
💭 "I'll just take out a life insurance policy for the full value of the mortgage — that way, if I die, it clears the mortgage and leaves a lump sum for my family."

Sounds logical.

But here's the problem:

🏚️ If you die early in the mortgage — when most of the loan is still outstanding — your full life insurance payout will go to the bank to clear the loan.

💸 That leaves nothing for your partner, your kids, or anyone depending on your income.

So yes — you've cleared the mortgage.

But your family is left without you, and without your salary.

The cleaner option?

✅ A separate mortgage protection policy to clear the mortgage
✅ A proper life insurance policy to support your family if you die

That way, your mortgage is sorted and your family gets a guaranteed lump sum — no overlap, no confusion, no "hope for the best."

If you try to roll both into one, you're leaving too much to chance.

## Post 10 of 12: Can I get mortgage protection if I have a health issue?

It’s rare to be refused cover outright — but it does happen.

Especially if you’ve had a recent diagnosis, ongoing treatment, or a “just keeping an eye on it” kind of issue.

And if you go with your bank,
you're putting all your eggs in one basket.

They only deal with one insurer.

If that insurer doesn’t like the cut of your medical record — you’re out of luck.

We deal with all 5 insurers in Ireland:

👉 Aviva
👉 Irish Life
👉 New Ireland
👉 Royal London
👉 Zurich

Each one treats health conditions differently.

That’s why we’ll ask you to fill out a short medical questionnaire before you apply so we can anonymously discuss your case with all of the insurers.

No names.

No pressure.

We just do the awkward underwriting chats on your behalf — and come back with your best shot at cover.

## Post 11 of 12: What counts as a smoker for mortgage protection?

You might think you're in the clear if you’ve “only” had the odd vape, cigar or social smoke.

But to an insurer?

If you’ve used any nicotine (or nicotine replacement product) in the past 12 months… you’re a smoker.

🚬 Yes, that includes:

Cigarettes
Cigars
Vapes (even 0% nicotine ones)
Nicotine patches, gum, sprays

💸 Smoker premiums are up to twice as expensive — even if you’re otherwise in great health.

It’s frustrating, but the rules are the rules.

So when do you become a non-smoker again?

Once you've had 12 consecutive months nicotine-free, you can reapply for cover at non-smoker rates — or ask to have your current premium reviewed.

We can help with that.

Just let us know when you hit the 12-month mark, and we’ll see what’s possible.

In the meantime, if you’re applying for mortgage protection now, be honest. Insurers sometimes request a cotinine test (that’s the chemical they check for nicotine use).

## Post 12 of 12: Does mortgage protection pay out if I get sick?

Nope.

Mortgage protection only pays out if you die.

That's it.

It's there to clear the mortgage, so your bank gets paid and your partner or family can keep your home.

But if you're diagnosed with a serious illness
— cancer, stroke, MS, burnout, whatever —
and can't work for months (or years)?

Your mortgage protection policy won't pay a cent.

And your mortgage still needs to be paid every month.

If you want cover that pays out while you're alive,
that's where income protection comes in.

It pays you a replacement income every month
if illness or injury stops you working,
until you recover or retire.

So your bills, your mortgage, your food shop, your life
... all still covered.

🏥 It's the single most important cover for every working person, and especially for self-employed people
(who don't even get sick pay from the state).

If you're in the middle of a mortgage and haven't even heard of income protection, please ask me or your advisor about it.

READY TO GET SORTED?

CLICK HERE FOR AN INSTANT QUOTE

OR EMAIL ME DIRECTLY:

NICK@LION.IE

🧡 HELPING YOU GET COVERED WITHOUT THE USUAL FAFF.