



## **Media Q&A**

### **Consumer Question:**

Through saving and determination, we managed to pay off the balance of our mortgage last July. This was after 5 years to the day since the drawdown of funds. The life policy with the lender runs for another 25 years covering the initial sum borrowed. I have continued to pay this monthly. I would like to know if it would be paid out on the reducing balance if we had paid the mortgages full term. I fear as there was no capital owed it may not be paid in the event of a death occurring. Should I cancel the policy in this event?

### **Answer from Barry McCutcheon, Proposition Lead, Royal London**

The most common type of mortgage protection policy is a reducing cover policy where the amount you're covered for reduces generally in line with your mortgage balance. The other type, level term cover, gives you the same amount of cover throughout the term of the mortgage.

If you continue paying into either type of policy after paying off the mortgage, you will still be covered until the policy expires, in 25-years in your case. If you die before then, it will no longer need to be used to clear your mortgage, but any benefit under it will still be paid out by the life company, either to the surviving policy owner, for example if the policy is on a joint/dual life basis, or to your estate. If it's a reducing cover policy, the amount paid out will relate to how much your mortgage balance would have approximately been at that time, if you hadn't paid it off early. With a level term policy, the benefit will be the original amount insured.

If this policy is your only form of life cover, you should speak to your Financial Broker to explore your options and evaluate the costs and benefits of retaining this policy or taking out new cover.

**ENDS**

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