

**Safe in a Storm**  
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Roshni K is a young professional with a knowledge process-outsourcing firm in Mumbai. She has been on the lookout for an apartment and a home loan to finance the purchase. Being a financially aware person, Roshni has decided to simultaneously search for a mortgage assurance plan to insure her home loan. Despite her profile, single with comfortable income, she has decided not to take any chances with her loan repayment. "I do not want to burden my parents with the loan in case something happens to me," she says.

With loan amounts soaring to meet the increasing property costs, the lenders are also not willing to take any chances. More and more lenders are advising their clients on the need to be adequately insured while going in for a home loan. "We cannot force anyone who is borrowing to get the loan payment insured. But financiers do talk to borrowers on the product and advise them on the required cover," said Sanjay Tripathy, chief marketing officer, HDFC standard life.

Most of the banks through their life insurance partners have devised tailor-made products so that it comes at a right price and convenience. Insurance companies too benefit from their association with their bancassurance partners since it is easy to tie up insurance at the point of loan disbursement. For instance, State Bank of India talks to its customers on the mortgage assurance and the policy is taken care of by its partner SBI Life Insurance. This has helped them bring more and more customers into the product with 30 to 35 per cent of its new home loan customers availing home loan insurance.

Home loan insurance works very much like a normal life insurance endowment policy. In this case, instead of the policyholder's nominee or heirs getting the sum assured, the money goes to pay the home loan. In case of pre-closure of loan, the policy holder may have the option to either continue the policy or the insurers may be willing to repay an appropriate premium to the policy holder. The tax benefits under Section 80C are also available for this product.

The policy sum is calculated on the basis of the existing life cover the borrower has and also the size of his loan. In most cases, the borrowers are comfortable if the entire loan sum is assured. While some insurers have only a pure term product with a single premium option, there are others who offer the facility of treating the premium as part of the loan and collect premiums along with the loan EMI. This product may also come with the option of a policy sum based on the reducing loan balance.

"Main growth comes from our channel partners," said Shaji George, chief operating officer, Bajaj Allianz, while outlining how awareness is key to this product. These are extremely cheap products and we do not add any additional riders to the policy, George said. However there are some products available in the market with additional optional benefits like critical illness and accidental death benefit. Obviously every additional rider adds to the premium.

Though at the time of buying a house no one would like to think of any adversity that may cause trouble in loan repayment, it is better to play on the side of caution is what financial advisors say. While Roshni's lender is willing to provide her the right cover she is comparing premiums and products around so that she gets a competitive premium.