

Get a cover for your home loan and live in peace
Times of India - Bhopal, July 6, 2007

A Home Loan Insurance Plan is a life insurance plan which the borrower takes on his life to cover the outstanding home loan

Every individual's aspiration is to one day own a house that he and his family can call their home. People spend years saving and planning for their home and are willing to go to great lengths to be able to acquire their life's dearest gift for their family. With rising incomes, better lifestyle and nuclear families and urban boom, the demand for housing has been growing phenomenally. The dream house is no longer a dream as individuals are taking home loans after assessing their capacity to repay the loan after factoring their growing incomes, for the next 15-20 years.

Unfortunately while the demand for loans has been growing, the home loan insurance business has not yet picked up. One of the reasons for the same could be the lack of awareness of such plans. In fact research has also shown that while awareness about covering a home loan is very low the willingness to take cover is high when home loan borrowers are informed about such a product being available. The task, therefore, is to educate customers about the utility of covering their loans. And this is especially important given the rise in interest rates, which have either increased the EMI's or increased the loan term. A home loan is probably the largest liability that an individual takes during his lifetime and spends 40-50 percent of his monthly income in paying the EMI's. Undoubtedly, then it makes it essential to take a home loan cover.

'Insurance is very often considered only as tax benefit tool but financial security that it provides goes unnoticed'

So what exactly is home loan insurance plan? A home loan insurance plan is a life insurance plan, which the borrower takes on his life to cover the outstanding home loan. In most cases this is a reducing cover since the individual continues to pay regular monthly EMI to the housing finance company, which reduces the loan amount. This amount is available to the survivors of the person insured and the amount received can be utilized to pay the liability.

HDFC Standard Life has range of home loan insurance plans, which it offers customers. They are very affordable plans, which cover the home loan liability but are not designed to give any returns to the surviving policyholder on maturity. Thus by keeping the premium low, the plan provides essential protection to the family without hurting the policyholder's budget. And by covering the loan, the plans ensure that the family home is with the family forever. HDFC Standard Life's home insurance plans can either offer reducing cover or fixed cover depending on the customer needs. The company also has a special plan for HDFC Ltd. Home Loan customers wherein the loan insurance premium is included in the home loan EMI's. These plans also come with optional riders, which can provide insurance in case the policyholder is diagnosed with a critical illness.

Insurance is very often considered as a tax benefit tool and many a time the financial security that it provides goes unnoticed. However, a careful financial planning in insurance products based on an individual's need will go a long way to secure his financials in the long term. Therefore, it is important to understand the liability that an individual currently has and then accordingly ensure that they are adequately covered through life insurance plans.