

# Bequeath your home, not the loan

Home loan protection policies offer to pay the dues in the event of your untimely demise

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A home loan is the biggest debt most people will ever shoulder, as a house is probably one of the most expensive purchases they will ever make.

But an unforeseen critical illness, disability or death could shift the burden to your family, putting their home at risk. Home loan insurance for such eventualities ensures that your family inherits the house and not the loan. Most of the good home loan providers, whether banks or NBFCs, offer insurance at the time you apply for a loan.

## How does it work?

Home loan protection is insurance that covers a borrower's outstanding loans. In case of death or disability, the insurance pays off the outstanding loan, thus taking away the family's burden.

This is very important, especially in case of the loss of the main breadwinner in the family. In such an unfortunate event, the family could be left struggling to make loan repayments and might eventually be forced out of their home.

Home loan protection policies typically offer life insurance that reduces every year as the loan amount comes down. The reducing cover is a great option as it aligns to your reducing loan amount and hence is more cost-

effective, ensuring that you do not pay for more insurance than you actually need.

## Bundled or independent?

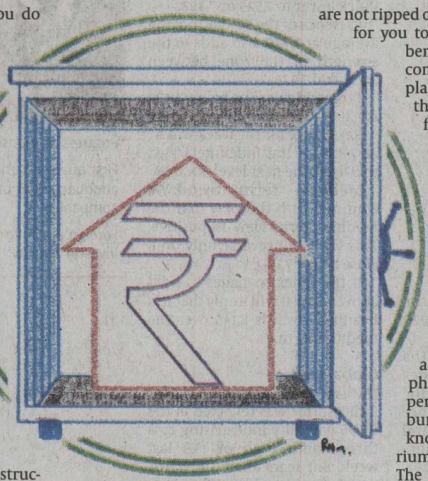
It is absolutely imperative that you buy home loan protection insurance or a term insurance policy as soon as you avail a home loan.

The advantage of taking it from your lender is the convenience.

You don't have to scout separately for insurance cover and the cover starts simultaneously with the loan.

The lender can help you structure your insurance to match your loan (for example, reducing insurance over time with the loan amount).

Secondly, your lender can arrange for the insurance premium to be collected alongside the home loan repayments, saving you the hassle of making payments separately. Thirdly, the application process is typically much simpler: because you already have a relationship with your lender, less documentation is required and, in some cases,



there's no need for a medical test.

In times of need, the lender has a responsibility to help your family with the claims process, including any documentation required.

But at the same time, it is important to do a rough comparison with pure term premiums. These are available on company websites or online portals. This will ensure that you get the best value for your money and you

are not ripped off. It is important for you to understand the benefits, terms and conditions of the plan to make sure the plan is perfect for you.

## What you need

Good home loan insurance will, for one, be aligned to your loan.

The loans for under-construction properties are disbursed in phases; this time period for loan disbursement is known as a moratorium period.

The cover should be at least equal to the sanctioned loan amount during this period so that in case of any untoward event during this period, the house will still be fully constructed and go to the family.

The second requirement is that it should adequately cover you during the loan term. It is tempting to take a cover for a fewer number of years than the full loan term, since you might be looking to pre-pay your loan early.

However, this is dangerous, be-

cause if your policy runs out before your loan, you risk having no cover or having to buy a new home loan cover.

Since insurance costs more the older you get, this could be an expensive miscalculation. The third thing to look for in home loan insurance is the flexibility to pay premiums as a lump sum amount, annually or on a monthly basis.

Single premium plans are useful because they offer full cover to you for the whole term of your loan with payment of a lump sum amount.

They may also work out cheaper in total.

On the other hand, annual or monthly premium plans are easy on your pocket, though you will need to have discipline to pay the premium regularly so that you can enjoy the coverage.

A little time spent thinking through and arranging for cover will go a long way in giving you and your loved ones the peace of mind that you all deserve. Home loan protection insurance is an important decision for you to make at the time of buying a home, because it will ensure that the family always keep the house you built for them.

*The writer is Appointed Actuary and Director - Products and Strategy, Canara HSBC OBC Life Insurance Company*



## Bundled benefit

- Simple to apply
- Cover commences with the loan
- Premium added to EMIs

## This or that

The advantage of taking a bundled policy with your loan is the convenience, but you might miss out on better deals if you're not careful