

Star Union Dai-ichi offers annuity cover with reverse mortgage



K Sahay (left), chief executive officer, Star Union Dai-ichi Life Insurance, and Pawan Verma, chief operating officer, at the launch of the company's insurance products in Mumbai on Tuesday. DIVYAKANT SOLANKI

BS REPORTER
Mumbai, 22 December

Now you can buy an annuity cover on reverse mortgage loans.

Star Union Dai-ichi Life Insurance today launched the country's first reverse mortgage loan annuity plan for those above 60 years. The minimum purchase price is capped at Rs 2 lakh.

When a person approaches the bank for a reverse mortgage loan on house property, the bank, after assessing the value of the property and sanctioning the loan, will approach the insurer and buy an annuity plan for the borrower. The annuity will be passed on to the borrower's account on a monthly, quarterly or annual basis. The installments will depend on the purchase price, age and whether the insured person opts for a lower or higher lifetime annuity.

There are two options available -- one is that a person can draw annuity till his death. Under the second option, when a person chooses to take lower annuity, the purchase price will be given to the bank that will pay the principal amount. On death, the heir will get pos-

session of the property on paying the balance amount.

The borrower will, however, have to pay tax on the annuity received from insurer.

At present, banks pay interest on reverse mortgage loans for up to 20 years from the loan date, and take the possession of the property once the borrower dies.

The insurer has tied up with Central Bank of India to sell the annuity plans. It expects Rs 30-40 crore business from the plan by the end of the current financial year. However, there is no upper limit on the purchase price, but for Central Bank of India, the insurer has capped it at Rs 50 lakh. The insurer is planning to join hands with housing finance companies and banks to promote the product. "We see huge potential in this segment," said K Sahay, chief executive officer of Star Union Dai-ichi Life.

In addition, the insurer also launched two term plans, an endowment plan and two group insurance products.

The insurer is aiming to double its premium income to Rs 600 crore by the end of the financial year and hopes to break-even over the next four years.