

MRO/DOS/DAK/2024/03852  
December 10, 2024



To,  
All Registered Housing Finance Companies

Madam/Sir,

**Advisory on Mis-selling of Insurance with Housing Loans**

1. During the Supervisory Inspections of HFCs, Bank had observed that there are cases of mis-selling of insurance loans along with the Individual housing loans, complaints on multiple kinds of policies bundled with housing loan/s and borrowers not being aware of the terms and conditions of the policies & the tenure of the insurance in some cases is also less than that of the tenure of the loan.
2. It is observed some HFCs did not have a Board approved policy for insurance distribution.
3. It is also observed that majority of the HFCs are distributing different types of Insurance to same Individual i.e., Life Insurance (Term Insurance/death insurance etc.) and Non-life Insurance (Building Insurance, Critical illness, Hospitalization/Medical, Personal Accident/disability etc.). Some of these insurance products do not seem to be essential with the loan offered to the customer.
4. Further, it observed that in majority of the HFCs, there were cases where loan tenor for Life Insurance is less than the tenor of loan. It implies that insurance is not provided for full term and is being given for encouraging insurance business.
5. It was observed that consent of customer while availing insurance was also not taken in some cases. Even if the consent of the customer was taken it was observed that the premium amount/term was not mentioned in the consent form.
6. In view of the above practices, the HFCs are advised to refrain from such practices of mis-selling of insurance with housing loans.

Yours faithfully,

(S.K. Padhi)  
General Manager  
Department of Supervision



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