



Loans Against Insurance: A Quick Guide

Life insurance is a cornerstone of financial security for millions in India, but did you know it's a sleeping giant? A staggering ₹55 lakh crore is held in life insurance policies, as life insurance is a low-risk, tax efficient savings instrument. While it offers peace of mind, the average return on life insurance in India hovers around 5%, which can be restrictive for your clients.



By Micah Parambi



Liquidity Concerns

IRDAI data shows that over 40% of policy holders either surrender or allow their policies to lapse within 2 years of purchasing them.

This is indicative of a need for liquidity access. However, as a financial advisor, you know that surrendering a life insurance policy, particularly early in its term, leads to terrible financial outcomes for your clients, with most losing part of the premiums paid-in in addition to any accrued bonuses.

To better assess the surrender loss for your clients' individual cases, explore our surrender or not calculator, or contact Mera Kal for individual feedback.

<https://www.merakal.in/surrender-value-calculator>

Optimizing Portfolio Performance

In other instances, where liquidity is not a concern for clients, as a financial advisor you may be wondering how to make this asset class – whilst critical from a protection perspective, low yielding - more productive to optimize the overall portfolio?

Loans against insurance policies (LAIP) allows clients to access this liquidity (typically up to 90% of the surrender value) without surrendering the policy, keeping their long-term protection and tax benefits intact.



Benefits to Your Customers

1

Easier Access

Unlike traditional loans with stringent credit score and income proof requirements, LAIP often requires minimal documentation.

2

Lower Costs

Interest rates on LAIP are typically lower than unsecured personal loans, reducing the financial burden on your clients. At 10% interest rate per annum, this can save them 5-15% in interest

3

Flexibility

LAIP loans come with customizable repayment terms, allowing clients to tailor payments to their specific situation and cashflow. Most importantly, they don't require full policy surrender, ensuring continued coverage.

4

No Need to Pledge Gold

Often the only viable alternative for clients to access quick liquidity no questions asked, is to pledge their precious gold. LAIP offers a great alternative.

Benefits for Financial Advisors

Expand your Business

Research shows that Indians appreciate dual purpose instruments. Introducing LAIP enables you to offer this dual function on part of your clients' portfolio that need it the most. You can better offer comprehensive financial advice, as clients will often need some credit to complement their investment portfolio to achieve their goals.

Increase Client Retention

Unlike traditional loans with stringent credit score and income proof requirements, LAIP often requires minimal documentation.

Grow Revenue

Reduced redemptions on the core portfolio leads to higher AUM. This, combined with attractive commissions for facilitating LAIP transactions, creates a new revenue stream for your practice.

LAIP: A Powerful Tool

LAIP is a powerful tool that empowers both you and your clients. By incorporating it into your practice, you can unlock new possibilities, build stronger relationships, and achieve long-term financial success together. This has hitherto been a cumbersome, manual process with insurance companies, limiting the potential for clients and advisors alike. With a completely digital solution set to launch, this is an exciting opportunity!

Next Steps



Partner with Mera Kal to streamline the process for you and your clients. Get started in a few easy steps or reach out to our team of experts to learn more. We offer resources and training to equip you with the knowledge needed to leverage LAIP effectively.

Join the Early Access Club

Be among the first to experience the new digital LAIP solution from Mera Kal. This is an exciting opportunity to offer your clients a powerful tool that can unlock new possibilities and build stronger relationships.

founders@merakal.in

+91 99016 72084

