

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:2777  
ANSWERED ON:26.11.2010  
LIFE INSURANCE COVER FOR EDUCATION LOANS  
Natarajan Shri P.R.

**Will the Minister of FINANCE be pleased to state:**

- (a) whether the Nationalised/Private banks across the country are insisting for a life insurance cover for sanctioning educational loan;
- (b) if so, the details thereof and the reasons therefor;
- (c) whether Reserve Bank of India has stipulated such condition for sanctioning educational loan; and
- (d) if so, the details thereof and if not, the action taken/being taken by the Government against such Banks?

**Answer**

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) & (b): As per Model Educational Loan Scheme of Indian Banks` Association (IBA), banks may arrange for life insurance policy on the students availing Educational Loan, Individual bank may work out the modalities with insurance companies. The IBA has reported in this regard that banks bring this position to the notice of the student borrower, as the same is in the interest of the student borrower and the bank, as well,

(c) & (d): Reserve Bank of India (RBI) has reported that no such provision is contained in the Model Education Loan /Scheme initially circulated by RBI in 2001.