Term Life Insurance

The cheapest, purest life cover, a large sum for your family if you're not around.

Protection-first · low premium | Premium 80C · payout 10(10D) tax-free

What is Term Plan?

Term insurance is the simplest and most important insurance for anyone with dependents. You pay a small premium; if you die during the policy term, your family receives a large lump sum (the sum assured). There is no maturity payout if you survive, and that's exactly why it's so cheap. Its only job is to replace your income and clear your liabilities so your family's life isn't derailed. Buy protection first, then invest separately.

In brief

Suits	Anyone whose family depends on their income.
You get	A large sum paid to the family on death during the term; no maturity value.
Your money	Premium fixed for the term and GST-free since September 2025; buying younger keeps it lower.
Tax	Death benefit is tax-free; premium deductible only in the old regime.
Watch for	Disclose health and habits fully; it decides whether a claim is paid.

Key facts

What it is	Pure life cover, pays a large sum only on death
Cover needed	Roughly 10–15× annual income (or by Human Life Value)
Cost	Low, roughly ₹1,000–1,500 a month for ₹1 crore for a healthy 30-year-old non-smoker; no GST since Sep 2025
Tax	Premium under 80C; death payout tax-free under 10(10D)
Best bought	Young and healthy, the premium is locked for the term

What's new

Sep 2025 Individual life insurance premiums, including term plans, have carried no GST since 22 September 2025 (18% earlier). Group policies still carry GST.

Questions and answers

THE BASICS

What is term insurance and how is it different?

Term insurance is pure protection: it pays out ONLY if the insured dies during the term, with no investment component and no survival benefit. This is why ₹1 crore of term cover costs a fraction of a ₹1 crore endowment or ULIP, you're paying only for the risk cover, not a bundled investment.

Why should I not mix insurance and investment?

Bundled products (endowment, money-back, ULIP) give you both a small cover and a modest return, and usually do neither well. The efficient approach is "buy term and invest the rest": take a large, cheap term cover for protection, and invest the money you save in mutual funds for growth. You get more cover AND better returns.

HOW MUCH & HOW LONG

How much cover do I need?

Enough to replace your income and clear your debts so your family maintains its lifestyle. A common rule of thumb is 10–15 times your annual income, plus outstanding loans, minus existing assets. A more precise method is the Human Life Value approach, our calculators help you work it out.

What term should I choose?

Cover yourself until you expect to be financially independent, typically until around age 60, or until your youngest child is earning and your major loans are cleared. There's little point paying for cover into your 80s when you have no dependents and a built-up corpus.

BUYING IT RIGHT

When is the best time to buy?

As young and as healthy as possible. The premium is based on your age and health at purchase and is then LOCKED for the whole term, so buying at 28 locks a far lower premium for life than buying the same cover at 40. Waiting only makes it costlier (or harder, if health issues appear).

Should I take the medical test?

Yes, always opt for a fully medically-underwritten policy over a no-medical one. A policy issued after proper medical tests is far less likely to see a claim disputed later, because the insurer has already assessed your health. Disclose everything honestly.

What is the claim settlement ratio, and does it matter?

It's the percentage of death claims an insurer paid out in a year. A consistently high ratio (95%+) is reassuring, but it's not the whole story, honest disclosure at purchase matters more, since most rejected claims trace back to concealed information rather than the insurer's intent.

RIDERS & TAX

Which riders are worth adding?

The most useful add-ons are: Accidental Death Benefit, Critical Illness (a lump sum on diagnosis of specified illnesses), Waiver of Premium (future premiums waived if you're disabled/critically ill), and Accidental Total & Permanent Disability. Add riders that fit your risks rather than every option offered.

What are the tax benefits?

The premium qualifies for a deduction under section 123 (earlier 80C) (up to ₹1.5 lakh, old regime). The death benefit paid to your nominee is tax-free under Section 10(10D). This makes term insurance tax-efficient on both ends, though you should buy it for the protection, not the tax break.

GOOD TO KNOW

What is "return of premium" term insurance?

A variant that refunds your premiums if you survive the term, but at a much higher cost. The extra premium you pay, if invested instead, typically grows to more than the refund. For most people, plain term insurance plus separate investing is the better deal.

Should homemakers or non-earners be insured?

The primary need is to cover income-earners. But a homemaker's unpaid work (childcare, running the home) has real economic value, and some insurers now offer term cover for homemakers. The priority, though, is adequate cover on everyone whose income the family depends on.

Sources: Outlook Money: zero GST on individual health and life insurance.

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