

What is Term Insurance?

Term Insurance is the simplest and purest form of life insurance. It provides financial protection to your family in case of your untimely death during the policy term.

You, as the policyholder, pay a fixed premium for a chosen number of years (the “term”). If you pass away during this period, your nominee (usually family) receives a lump sum payout called the death benefit.

Unlike other life insurance products, Term Insurance does not offer savings, investment returns or maturity benefits. Instead, it focuses purely on life protection. Because of this, it is much more affordable and allows you to purchase a larger coverage amount for relatively low premiums.

Example: A healthy 30-year-old can get a cover of ₹1 crore for as little as ₹500–600 per month (depending on age, lifestyle and health conditions).

Key Features of Term Insurance

1. High Sum Assured at Low Premiums

- Get substantial life cover at a fraction of the cost compared to traditional insurance plans.

2. Policy Term Choices

- Flexibility to choose a term from **10 to 40 years** or coverage till a specific age (like 60 or 80).

3. Death Benefit

- Lump sum payout is given to the nominee if the insured dies during the policy term.

4. No Maturity Benefit

- If you survive the policy term, no payout is made. (However, you can opt for a **Return of Premium** plan to receive back all premiums paid.)

5. Flexible Premium Payment Options

- Pay monthly, quarterly, annually or even in a single lump sum—depending on convenience.

6. Optional Riders/Add-ons for enhanced protection:

- **Accidental Death Rider** – Extra payout if death occurs due to an accident.
- **Critical Illness Rider** – Provides lump sum if diagnosed with major illnesses (e.g., cancer, heart disease).

- **Permanent Disability Rider** – Ensures income support if disability prevents earning.
- **Waiver of Premium Rider** – Future premiums waived off in case of disability or critical illness.

Benefits of Term Insurance

✓ **Financial Security for Family**

Ensures your dependents can maintain their lifestyle, cover household expenses and manage financial obligations.

✓ **Affordable Protection**

High coverage at very low cost, especially when bought at a younger age.

✓ **Loan Protection**

Safeguards your family from loan burdens such as home loans, car loans or education loans.

✓ **Future Planning**

Helps in securing children's education, marriage and long-term financial goals.

✓ **Tax Benefits** (India Example)

- Premiums qualify for tax deductions under **Section 80C**.
- Death benefits are usually tax-free under **Section 10(10D)**.

Who Should Buy Term Insurance?

1. **Young Professionals** – Lock in lower premiums at an early age.
2. **Parents** – Ensure children's education and future financial needs are secured.
3. **Couples with Loans** – Protect loved ones from liability in case of unforeseen events.
4. **Business Owners** – Safeguard dependents and business-related liabilities.
5. **Anyone with Dependents** – Spouse, children or elderly parents relying on your income.

◆ **Types of Term Insurance Plans**

1. **Level Term Plan**

- Coverage remains fixed throughout the policy.

2. **Increasing Term Plan**

- Sum assured increases over time (ideal to tackle inflation).

3. Decreasing Term Plan

- Sum assured decreases with time (best for covering loans that reduce over time).

4. Return of Premium (TROP)

- Refunds all premiums paid if you survive the policy term.

5. Convertible Term Plan

- Can be converted into whole life or endowment insurance later.

How Term Insurance Works (Step-by-Step)

a. Choose Cover Amount

- Typically 10–20 times your annual income to ensure complete financial security.

b. Select Policy Term

- Decide how long you want coverage (e.g., until retirement, till kids complete education or till liabilities are cleared).

c. Decide Premium Frequency

- Select between monthly, quarterly, yearly or one-time payments.

d. Add Riders (Optional)

- Customize your plan with riders for added protection.

e. Nominee Assignment

- Designate your spouse, children or parents to receive the payout.

f. Policy in Force

- Keep paying premiums regularly to keep your policy active.

g. Claim Settlement

- In case of death, the nominee files a claim → insurer verifies documents → payout is released.