

Insurers bat for I-T relief for premiums

AATHIRA VARIER

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After the rationalisation of goods and services tax (GST) on insurance premiums, the insurance industry is now seeking enhanced income tax (I-T) benefits for protection and health plans under both tax regimes, stronger support for pension products, and an increase in the premium threshold for taxing maturity proceeds of high-value policies from ₹5 lakh to ₹10 lakh in the Union Budget for 2026-27 (FY27).

Insurers are also seeking the tax-free maturity limit for Unit Linked Insurance Plans (Ulip) to be raised to ₹5 lakh.

Satishwar B, managing director and chief executive officer (MD&CEO) of Bandhan Life Insurance, said: "The GST waiver has made life insurance

more affordable and accessible. We are hopeful that this year's Budget will continue that momentum. Better tax benefits for protection and health plans — under both tax regimes — can help more families get covered. We also hope to see stronger support for pension products, and an increase in the premium cap for Ulips to ₹5 lakh,

similar to traditional plans. Simple, inclusive reforms can go a long way in securing India's financial future and accelerating progress towards 'Insurance for All by 2047'."

Further, insurers are seeking an increase in the threshold for taxing maturity proceeds of high-value traditional

policies to ₹10 lakh from ₹5 lakh. In February 2023, the government began taxing income from traditional life policies — excluding Ulips — with



- Enhanced income tax benefits for protection and health plans under both tax regimes
- Stronger support for pension products
- Increase in the premium threshold for taxing maturity proceeds of high-value policies from ₹5 lakh to ₹10 lakh
- Tax-free maturity limit for unit Linked insurance plans to be raised to ₹5 lakh

annual premiums above ₹5 lakh.

General and health insurers, meanwhile, want the I-T deduction limit under Section 80D to be raised. The

current deduction is capped at ₹25,000 for individuals and families below 60 years, and ₹50,000 for senior citizens. The industry is also looking for measures to strengthen climate-risk insurance. "These limits were set several years ago, and they no longer adequately reflect rising medical inflation and the growing need for higher health cover. Doubling the deduction would encourage households to opt for adequate protection rather than minimal coverage, and support long-term financial security," said Subrata Mondal, MD&CEO, IFFCO-TOKIO General Insurance Company.

Naveen Chandra Jha, MD&CEO, SBI General Insurance, said: "Budget 2026 can also play a catalytic role in strengthening India's risk resilience by encouraging the development of climate-risk insurance solutions."

He added: "Continued emphasis on data-led reforms, such as unified insurance data exchanges and consent-based digital infrastructure, can

improve underwriting accuracy, curb fraud, and enhance claims experience. A balanced mix of affordability, innovation, and data-driven discipline can enable general insurers to scale responsibly while supporting India's broader goals of financial inclusion and economic resilience."

Industry experts are also hoping for solvency support for the three public sector undertaking general insurers — National Insurance, Oriental Insurance, and United India Insurance — whose solvency ratios remain negative.

"Given the weak solvency position of the PSU general insurance companies, an announcement related to budgetary allocation for their recapitalisation will be positive. Further, given the low penetration of the insurance segment, the government can announce measures to incentivise penetration, especially for lower-ticket-size policies," said Neha Parikh, vice president and sector head - financial sector ratings, Icra.

