

# Term Insurance

A Straightforward Guide to Term Insurance that Helps You Choose Protection with Clarity and Confidence



# Term Insurance

**Term insurance is the cost-effective financial shield that protects your loved ones from uncertainty, ensuring their long-term goals and legacy are secured.**

Many individuals wonder whether their family will be financially secure if something unexpected happens. Are their current savings sufficient to support their loved ones if the primary earning member's income stops? And most importantly, will their dependents be completely free of financial liabilities in their absence? If the answer to any of these crucial questions is NO, then it is time to seriously consider term insurance.

This guide will provide the basics of term insurance: what it is, why it's important, and how it offers a cost-effective way to protect a family's future from financial uncertainty

## What is Term Insurance?

Term insurance is a life insurance plan specially designed to cover the financial aspects of the risk. In case of the untimely demise of the insured, their nominee gets the insurance amount, known as the sum assured. To stay covered, the insured needs to pay a premium, either monthly, quarterly, or annually, depending on personal preference. Among these, annual and monthly premium options are the most preferred by policyholders for their flexibility and ease of management.

A term insurance plan, however, does not pay back any amount if the insured survives the policy tenure. This is why it's often misunderstood. Many people perceive it as a "loss" if they outlive the policy, not realising that term insurance isn't about returns, it's about protection. Much like a seatbelt or fire extinguisher, it exists not to give you something back, but to be there when you need it the most.



## Types of Term Insurance Plan

There are numerous types of plans available that one can pick as per their preference, needs, and budget. Here are some of the options available in the insurance market:

1

### Pure Level Term Plan

This is a basic term insurance plan that provides a predetermined sum to the nominee if the policyholder passes away during the policy period. If the policyholder survives the entire term, no payout is made.

- **Best for:** Individuals looking for maximum life cover at the lowest premium.
- **Key Features:**
  - No survival benefit
  - Fixed coverage throughout the term
  - Premium based on age, gender, smoking habits, and coverage term
- **Premium:** Lowest among all types

2

### Return of Premium (ROP) Plans

For those who are uncomfortable with the idea of "getting nothing back" if they outlive the policy, ROP plans offer a refund of total premiums paid (excluding taxes) upon survival. In case of death during the policy term, the sum assured is paid to the nominee, like a regular term plan.

- **Best for:** Individuals seeking life cover plus the return of investment-like benefit
- **Key Features:**
  - Full premium refund on survival
  - Life cover throughout the policy term
- **Premium:** Higher than pure term plans due to the survival benefit

# 3

## Increasing Sum Assured Term Plan

This type of plan offers a growing cover over time, with the sum assured increasing annually by a fixed percentage. The idea is to align the life cover with the growing income and inflation-adjusted needs of the insured.

- **Best for:** Individuals early in their careers or expecting regular income growth
- **Key Features:**
  - The sum assured increases every year
  - Often allows auto-increase without medical underwriting
  - Helps maintain adequate coverage over time
- **Premium:** Higher than level term plans due to increasing benefits

## Term Plans with Income Benefit

Rather than paying the entire sum assured as a lump sum, these plans provide the benefit in regular instalments, acting like an income replacement tool. Some plans also offer a partial lump sum at the time of claim, followed by monthly or yearly payouts.

- **Best for:** Families that rely on a steady income to manage expenses
- **Key Features:**
  - Helps manage large sums more responsibly
  - Can be more tax-efficient than lump-sum payouts
  - Some plans offer the option to commute future payments into a present-value lump sum
- **Premium:** Slightly higher than basic term plans due to payout structure

# 4

## Who Needs a Term Insurance Plan?

It is rightly said that “One size doesn’t fit all,” and the same applies to life insurance. The need for a term insurance plan depends on the life stage, financial responsibilities, and who depends on the insured’s income.

Here’s a list of individuals for whom a term insurance plan works the best:

### Young and Single – Building a Foundation



At this stage, financial responsibilities are minimal, and premiums are at their lowest. Investing in term insurance helps lock in a premium for the long term, along with ensuring that loved ones, like ageing parents or siblings, are financially protected in the event of an unforeseen tragedy.

### Marriage and Family Planning – Expanding Responsibilities



Marriage brings shared financial goals and responsibilities, from buying a home to planning for children. Term insurance protects the insured’s partner and family from financial strain in case of unforeseen events. It ensures home loans are covered and children’s education is secured. At this stage, a term plan acts as a financial shield, preserving the family’s lifestyle and long-term aspirations.

## Midlife – Adapting to Changing Needs



Midlife often brings a complex set of responsibilities, such as supporting ageing parents, financing children's education, and securing long-term goals. With health risks also becoming more prominent during this stage, term insurance plays a vital role in a comprehensive risk management strategy. While it cannot replace the presence of the, it ensures that their family is protected from financial hardship and can continue to pursue their life goals without disruption.

## Retirement – Securing the Legacy



During retirement, income typically comes from savings, pensions, or investments. While the need for new term insurance coverage generally decreases at this stage, it may still hold relevance if there are financially dependent family members, as a spouse, children, or grandchildren.

**A well-planned term insurance policy purchased earlier in life can provide:**

A financial cushion for the surviving spouse

01

Coverage for any remaining liabilities

02

03

Peace of mind that the policyholder's legacy is financially protected

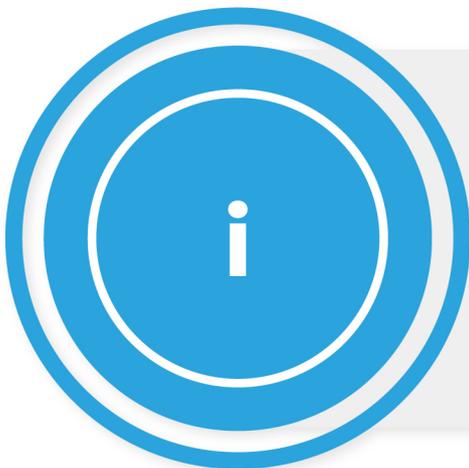
## How Much Cover Do You Really Need?

When it comes to deciding how much term insurance cover one needs, most people tend to guess a number that “feels right.” However, this casual approach can lead to either under-insuring or overspending, both of which defeat the purpose of smart financial planning.

A commonly recommended thumb rule is to have a life cover equal to 10 to 12 times the annual income. So, if your annual income is ₹9 lakh, your sum assured should ideally be between ₹90 lakh and ₹1.08 crore.



Let's understand how to calculate the accurate cover:



### Outstanding Loans and Liabilities

While calculating the cover, any existing loans, such as home loans, vehicle loans, or education loans, must be accounted for. These liabilities may fall on your family in your absence if not covered properly.

Take loan protection insurance wherever possible, especially for long-term debts like home loans. This ensures your term insurance payout can be used for your family's future rather than clearing debts.

### Future Expenses – Education & Marriage

Inflation can significantly raise the cost of higher education or a child's marriage. It's important to calculate these future expenses realistically. For instance, if you would need ₹20 lakh in today's terms for your child's marriage in 10 years, factoring in 7% annual inflation, the actual future value would be approximately ₹39 lakh.

Use this formula to calculate:

$$FV = PV \times (1 + R/100)^n,$$

Where:

FV = Future Value, PV = Present Value, R = Rate of inflation (e.g., 7%),  
N = Number of years until the goal





### Living Expenses for the Family

Your family will need a consistent source of income to maintain their standard of living in your absence. Calculate how much money they would need annually and how much investment corpus is required to generate that amount. Your term plan should aim to cover this sustainable income stream through the payout.

### Existing Investments

Any existing investments (like FDs, mutual funds, or PPF) should be factored in. Subtract these from your insurance requirement to avoid duplication and reduce unnecessary premium outgo.



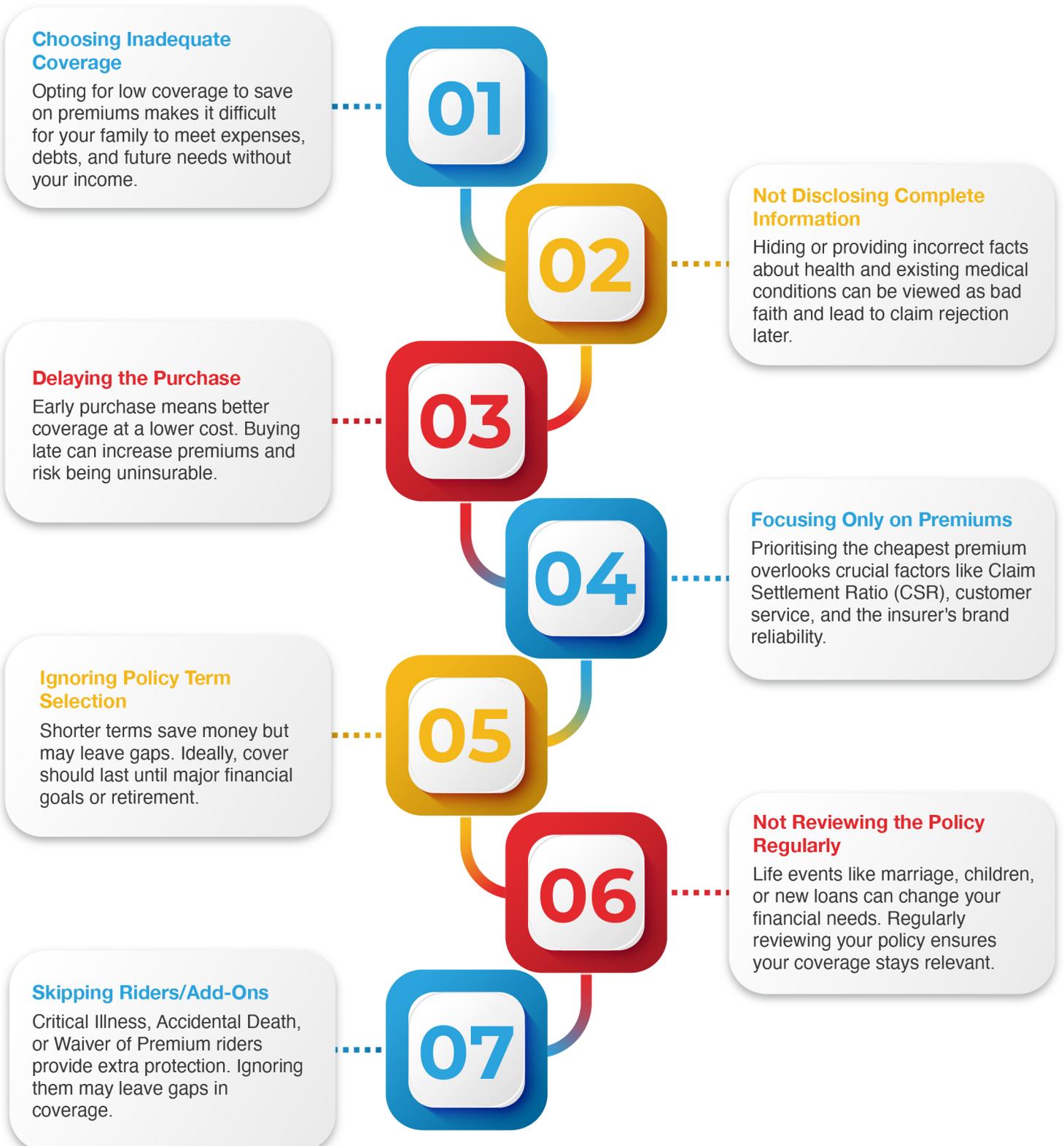
### Human Life Value (HLV) Approach

For a more precise calculation, most insurers offer a Human Life Value (HLV) calculator. This tool factors in your income, age, expenses, financial goals, liabilities, and existing assets to arrive at a custom life cover figure.

## Common Mistakes People Make When Buying Term Plans

Buying a term insurance plan is a key step in protecting the dependent family's future, but common mistakes can reduce its impact when it's needed most.

Here are some pitfalls to avoid:



## Add-ons That Actually Matter

When purchasing a term insurance plan, many individuals focus solely on the base coverage. However, specific riders or add-ons can significantly enhance the policy's protection and make it more tailored to one's real-life needs.

### Critical Illness Rider

This rider provides a lump sum payout if the insured is diagnosed with a serious illness like cancer, heart attack, stroke, or kidney failure.

Why it matters:

- Helps cover the high cost of treatment
- Offers financial support during a time when income may stop
- Allows the insured to focus on recovery without financial stress

This rider is especially useful for primary earners, as it acts as a financial backup during long-term illnesses.

### Waiver of Premium

This rider ensures that the policy continues even if the insured is unable to pay premiums due to a permanent disability or critical illness.

Why it matters:

- Maintains policy benefits without future payments
- Protects the cover even in case of income loss
- Offers peace of mind in adverse situations

With this rider, the family of the insured remains protected even if life throws unexpected challenges.

### Accidental Death Benefit Rider

The Accidental Death Benefit (ADB) Rider provides an additional layer of financial protection by paying an extra sum assured to the nominee if the insured passes away due to an accident. This amount is over and above the base sum assured of the term insurance policy.

Why it matters:

- Provides enhanced financial support in case of accidental death
- Helps the family manage sudden and unexpected financial burdens
- Often available at a relatively low additional premium

This rider is especially popular among younger individuals or those with high-risk occupations or frequent travel, who may perceive accidents as a more immediate risk.

## Buying Online vs Offline – A Practical Decision Tree

Buying a term insurance plan is an easy and straightforward process. There are 2 ways to buy:

- i. Online
- ii. Offline



### Process to Buy Online

**Step 1:** Visit the official website of the insurance company.

**Step 2:** Select the term insurance plan you wish to purchase from the available options.

**Step 3:** Provide personal details like name, gender, smoking habits, date of birth, and more.

**Step 4:** Next, you will be required to fill in details like:

- Employment and income details
- Health-related information
- Address and contact details
- Nominee information

**Step 5:** Once done, you can make the payment securely using net banking, debit/credit card, or other digital modes.

**Step 6:** Share required documents like PAN Card, valid address proof, passport size photograph via uploading on the website or emailing the insurer.

### Process to Buy Offline

**Step 1:** Connect with an insurance advisor or visit a branch.

**Step 2:** Discuss your needs and choose the right plan.

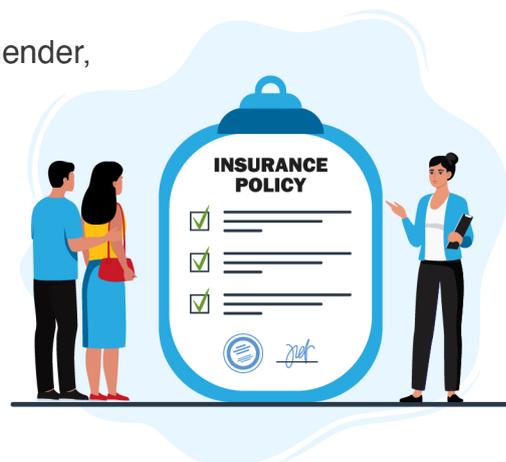
**Step 3:** Fill out the application form with details like name, gender, smoking habits, date of birth, and more.

**Step 4:** Submit KYC documents, including PAN Card, valid address proof, and passport-size photograph.

**Step 5:** Make the premium payment through cheque, demand draft, or digital payment methods available at the branch.

**Step 6:** Depending on your age, sum assured, and health disclosures, the insurer may request you to undergo medical examinations.

**Step 7:** After verification of documents, medical test results, and underwriting, the insurance company will issue the term insurance policy.



## Choosing Between the Two

Both modes offer their own benefits, but the right choice depends on your comfort level, financial knowledge, and need for assistance. Here's a practical decision tree to help guide your choice:

Criteria	Online	Offline
Cost	Lower premiums	Higher due to agent fees
Convenience	Paperless, quick	Requires physical meetings
Support	Limited (chat/call)	Personalised handholding
Ideal For	Tech-savvy, confident buyers	First-time buyers, complex cases

## Real Questions to Ask Before You Buy Term Insurance

Buying term insurance is a long-term financial commitment, and asking the right questions before making a purchase can help you make a smart, well-informed decision. Here are some essential questions every buyer should consider:

### 1. How Much Coverage Do I Really Need?

A good starting point is to aim for a life cover of at least 10–12 times your annual income. For instance, if your current annual income is ₹24 lakhs, a basic cover of ₹2.4 to ₹3 crores is recommended. If you have major financial obligations like home loans or dependent family members, consider increasing this to 15–20 times your income for better protection.

### 2. What Should Be the Ideal Policy Term?

Choose a term that covers you until your retirement age. The objective is to replace your income in case of an untimely event, so the policy should last as long as your family depends on you financially. Once you retire, your income stops, and the need for coverage typically reduces.

### 3. Will My Premium Stay the Same Throughout the Policy?

Yes, generally. Most term plans have fixed premiums for the full policy term. That's why buying early helps lock in a low premium. However, if you develop risky habits like smoking after purchase, your insurer may revise your premiums.

### 4. Will My Smoking History Affect My Premium?

Yes. Smokers are considered high-risk and typically pay higher premiums. It's critical to disclose your smoking habits honestly when purchasing the policy. If you start smoking after buying the plan, you must inform your insurer. Failure to disclose can lead to claim denial.

### 5. Are Accidental Deaths Covered in Term Insurance?

Absolutely. Term plans provide death benefits for natural, illness-related, and accidental deaths. To enhance the benefit, you can add an Accidental Death Benefit Rider, which gives your nominee an extra payout in case of a fatal accident.

### 6. What Happens If I Outlive the Policy Term?

Standard term plans do not offer maturity benefits. However, if you've opted for a Return of Premium (ROP) plan, the premiums paid (excluding taxes) will be refunded. You can also check if your policy allows conversion into a lifelong plan, although it may come with higher premiums.

### 7. What If I Miss a Premium Payment?

Missing a premium doesn't instantly cancel your policy. Insurers usually offer a grace period (typically 15–30 days, depending on your premium payment frequency) to make the payment and retain coverage.

## Glossary of Jargon-Free Definitions

**Sum Assured:** The amount your family (nominee) will receive if something happens to you during the policy term.

**Policy Term:** The number of years your term insurance plan will remain active. You choose this when you buy the plan, for example, 30 or 40 years.

**Premium:** The amount you pay to keep the policy running.

**Nominee:** The person you name (usually a spouse, parent, or child) who will get the money from your policy if you're no longer around.

**Return of Premium (ROP):** A special term plan where your premiums are refunded if you survive the policy term. It's more expensive than regular term plans.

**Claim Settlement Ratio (CSR):** The percentage of claims an insurance company successfully pays out. A high CSR means the company is reliable when it comes to fulfilling claims.

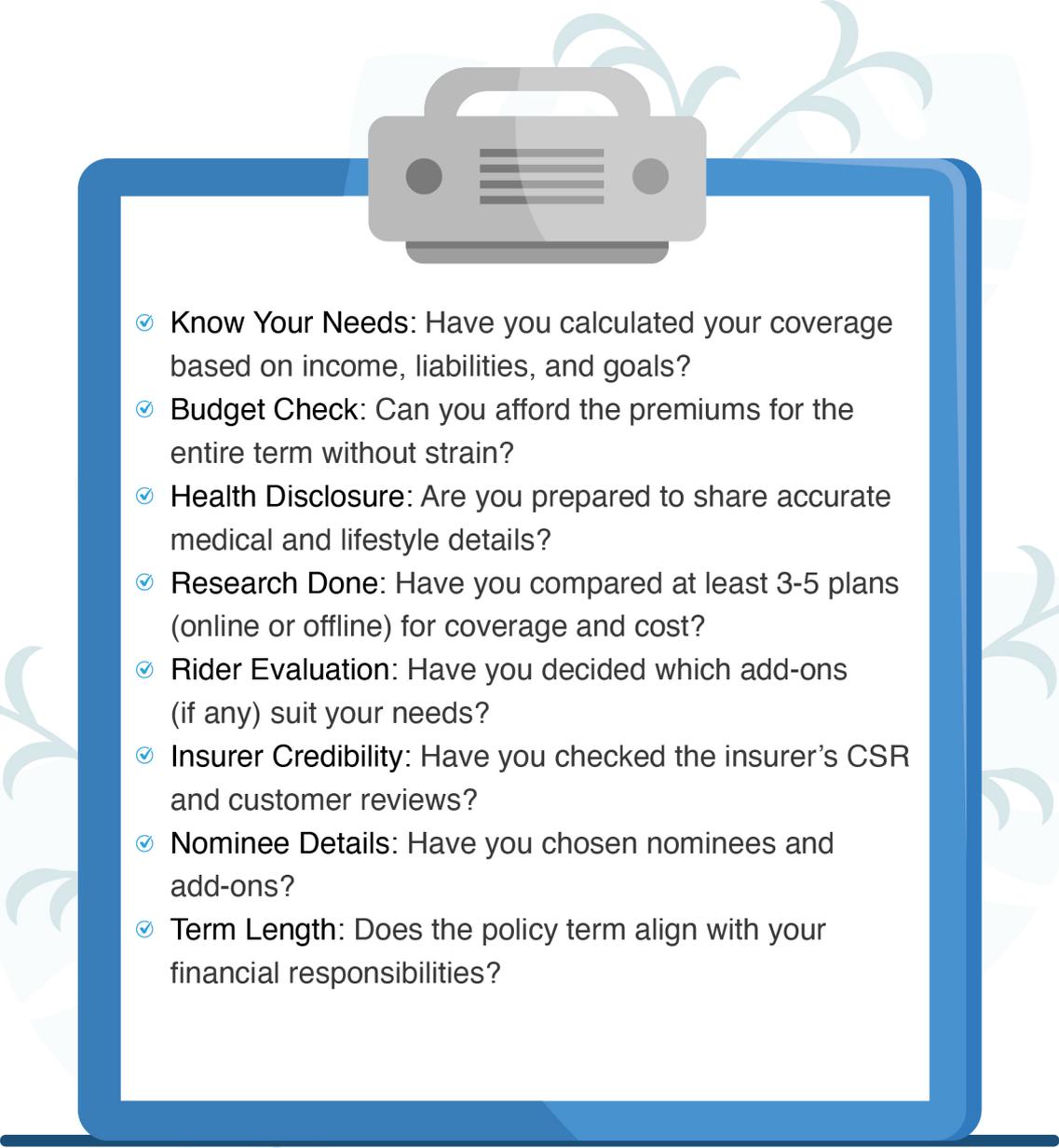
**Grace Period:** An additional timeframe provided after the premium due date, allowing you to pay without affecting your policy coverage or benefits.

**Underwriting:** The evaluation process through which an insurance company assesses your health, lifestyle, and overall risk profile to determine policy approval and set the appropriate premium.



## Checklist: Your 5-Minute Term Insurance Readiness Test

Before you hit 'Buy Now' on a term insurance policy, run through this quick and effective question list to ensure you're fully prepared.

- 
- ✓ **Know Your Needs:** Have you calculated your coverage based on income, liabilities, and goals?
  - ✓ **Budget Check:** Can you afford the premiums for the entire term without strain?
  - ✓ **Health Disclosure:** Are you prepared to share accurate medical and lifestyle details?
  - ✓ **Research Done:** Have you compared at least 3-5 plans (online or offline) for coverage and cost?
  - ✓ **Rider Evaluation:** Have you decided which add-ons (if any) suit your needs?
  - ✓ **Insurer Credibility:** Have you checked the insurer's CSR and customer reviews?
  - ✓ **Nominee Details:** Have you chosen nominees and add-ons?
  - ✓ **Term Length:** Does the policy term align with your financial responsibilities?

**Next Steps:** If all boxes are checked, get quotes from top insurers and finalise your plan. If not, revisit the relevant sections above to fill gaps.

### Canara HSBC Life Insurance | Promises Ka Partner

For more details on risk factors, terms and conditions, please read the sales brochure carefully before concluding a sale.

BEWARE OF SPURIOUS/FRAUD PHONE CALLS! IRDAI is not involved in activities like selling insurance policies, announcing bonus or investment of premiums. Public receiving such phone calls are requested to lodge a police complaint.

Trade Logo of Canara HSBC Life Insurance Company Limited hereinafter referred to as "Insurer" is used under license with Canara Bank and HSBC Group Management Services Limited. The insurance products are offered and underwritten by the Insurer (IRDAI Regn. No. 136) having its head office at 139 P, Sector 44, Gurugram – 122003, Haryana (India). Corporate Identity No.: U66010DL2007PLC248825. Website: [www.canarahsbclife.com](http://www.canarahsbclife.com) | Call: 1800-258-5899 | Email: [onlineterm@canarahsbclife.in](mailto:onlineterm@canarahsbclife.in)