

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF REVENUE
RAJYA SABHA
UNSTARRED QUESTION NO -413
ANSWERED ON – 03.02.2026

IMPACT OF GST EXEMPTION ON INSURANCE PREMIUMS

413 DR. K. LAXMAN:

Will the Minister of Finance be pleased to state:

- (a) the details of the recent decision to exempt individual health and life insurance premiums from GST from 22nd September 2025, including estimated premium savings for policyholders and projected impact on insurance penetration;
- (b) how this tax reform aligns with Government's vision of "Insurance for All" and the broader goal of Viksit Bharat 2047 by enhancing affordability, coverage uplift and financial inclusion in underserved rural and urban areas; and
- (c) the steps being taken to monitor insurer response, ensure benefits are passed on and the measures to increase in insurance uptake and coverage in the next three years?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI PANKAJ CHAUDHARY)

(a) to (c):

GST rates and exemptions on any supply of services and goods are prescribed on the recommendations of the GST Council which is a Constitutional body comprising of members from both the Union and State/UT Governments. In the 56th GST Council meeting held on 03.09.2025, it was recommended to grant GST exemption on all individual life insurance policies and all individual health insurance policies (including family floater) along with reinsurance thereof. Accordingly, the exemption was given to individual life and health insurance policies (including family floater) along with reinsurance thereof w.e.f. 22.09.2025 vide notification No. 16/2025-CTR dated 17.09.2025.

This is expected to make insurance more affordable to citizens, especially the underserved population in rural and urban areas. The GST exemption by eliminating the 18% tax overlay, directly reduce premium costs and encourage broader adoption. These reforms will elevate India's insurance density to create a resilient society where economic shocks are mitigated through widespread risk-sharing.

These changes seamlessly align with the Government's vision of "Insurance for All" and the broader goal of "Viksit Bharat-2047", as it makes individual life and health insurance more affordable. It focuses on accelerating inclusive growth, and financial inclusion to lay the foundation for a self-reliant India. By making insurance accessible, the GST exemption supports financial security as pillar of sustainable development.

The Department of Financial Services convened a meeting with senior officials of IRDAI, CMDs of public sector insurance companies and CEOs of leading private sector life and non-life insurance companies and officials from Life Insurance Council & General Insurance Council to ensure that the benefits of exemption are fully passed on to both existing and prospective policyholders. In this connection, IRDAI held a day long in-person interaction with the insurance companies on 17th September, 2025 wherein insurers agreed to hold the premium rates and pass on the GST benefits in full to the policyholders. Further, IRDAI has collected the premium rates prevailing as on 3rd September, 2025 when the Government announced GST relief. It has been monitoring the premiums being charged for new policies as well as for renewal of policies to ensure benefits are passed on to insured individuals. They have been seeking clarifications from insurers as to whether premiums in respect of individual health and life insurance products were increased subsequent to Government's announcement of GST relief. All General and Health Insurers have confirmed that they have not increased premium and the GST relief granted by government has been fully passed on the policyholders. This was informed by IRDAI to DFS vide their letter dated 7th January, 2026.
