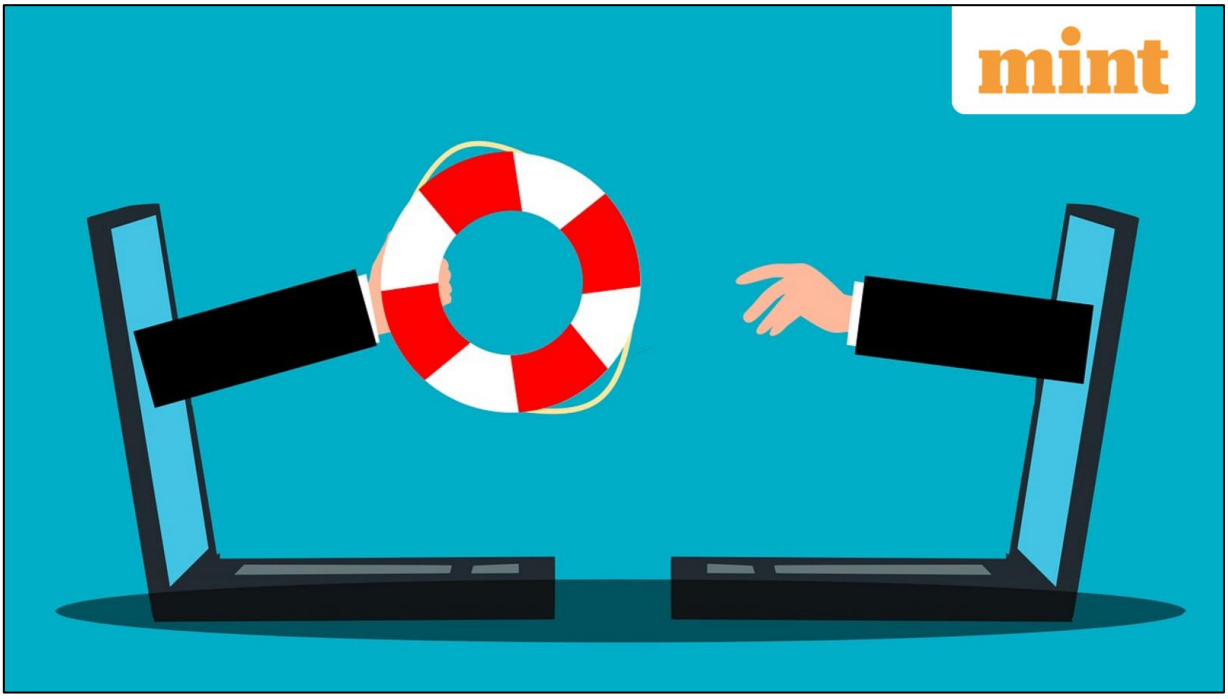
Article Date	Headline / Summary	Publication
05 Nov 2026	Want to gift someone insurance? Check these rules before paying	Mint



You can help loved ones buy insurance by paying their premiums, but rules on relationships, insurable interest and source of funds vary across policies.

Insurance is a product people often put off buying. Some do not fully understand its value, while others recognise the need but delay the decision. Those who already have insurance may want their loved ones to be financially secure and adequately protected.

One way to encourage them to take that first step is to pay for their insurance premium. However, paying someone else's premium is not always straightforward. The rules vary across life, health and motor insurance, depending on the relationship between the payer and the insured, and the source of funds.

Here is what you need to know.

Who can pay?

The rules differ across life insurance products. You cannot buy term insurance for another person simply because you want to pay their premium. An exception may be available for spouses.

"Insurers offer term insurance to homemakers based on the financial underwriting of the husband, where the husband can get additional coverage for his wife. The premium is paid by the husband, and it becomes a joint term insurance policy. Also, individual policy up to a certain threshold can be offered to a housewife, basis meeting the underwriting guidelines," said Aneesh Khanna, group head, products & segments, HDFC Life.

For other relationships, third-party payment for term insurance is allowed only in rare cases where clear insurable interest can be established. The rules are somewhat more flexible for other life insurance products, which usually include a savings component and have lower life cover than term plans.

Insurable interest means you cannot insure someone's life unless their death would cause you a legitimate financial or emotional loss. This requirement helps prevent situations in which someone could benefit financially from another person's death.

Parents, children and spouses can generally have an insurable interest in one another. Siblings, however, do not automatically qualify merely because they are related by blood. "In exceptional situations where the parents are no more and one sibling is dependent on the other, it can be allowed," said Maneesh Mishra, chief product and marketing officer at Bandhan Life.

Grandparents can also buy life insurance for their grandchildren. They become the payor and proposer when the child is a minor. The insured life, that is, the child has to become the proposer when she turns 18-year-old.

What if parents want to pay premiums for their adult children? Mishra said ideally the first premium must be paid from the bank account of the person who will be the policyholder, while parents can pay subsequent premiums. "Parents can pay the first premium of an adult child on a case to case basis but the life insured will be of the adult child only."

Payments between in-laws may also be possible, depending on the circumstances. "There is no insurable interest for in-laws in life insurance, but the company may take a call on a case-to-case basis as an exception post compliance approval," said Mishra.

What about friends, cousins or domestic workers?

"There is no blanket rule that permits or prevents every third-party payment, however, the policyholder will have to explain why a non-related person has paid the premium, along with a valid insurable interest like for employer employee, keyman, partnership, housewife, etc," said Khanna.

If someone accidentally pays a premium on behalf of another person, the payment may still go through, but it can be scrutinised under anti-money laundering (AML) rules. The insurer may ask the policyholder to establish insurable interest and submit a third-party payment declaration.

Health and motor

Third-party premium payments are also subject to checks in health and motor insurance. Insurers may accept payments from people who have a clear, identifiable relationship with the proposer or insured.

Amarnath Saxena, chief technical officer- commercial, Bajaj General Insurance, said the insurer will obtain the KYC and identity details of the person making the payment. Where required, it also collects a declaration or supporting document establishing the relationship with the proposer.

"The payment must be traceable to the payer through appropriate banking records and payment instruments. Payments may not be accepted if the source of funds cannot be clearly established or there is no identifiable relationship between the payer and the insured, such as when a friend pays another friend's premium."

Some relationships, including spouses, parents, siblings and in-laws, can be covered under a family floater arrangement, in which you can be the primary policyholder and pay the premium.

Vishwanath Mahendra, executive director and CFO at Niva Bupa Health Insurance, said that while payment of premiums on behalf of siblings, friends or domestic help is not automatically permitted, one may choose to pay on their behalf.

"However, in such cases, the payer will not be eligible for any tax exemptions, and all benefits from the policy will be made only to the insured member or the registered nominee, as the case may be. Additionally, KYC of the payer will be carried out as per the extant Prevention of Money-laundering Rules," said Mahendra.

Gifting options

Simply transferring money to a loved one is one option, but there is no guarantee that it will be used to buy insurance. CoverSure has introduced a gift card that can be used only to purchase or renew an insurance policy.

"The gift card lets people who have benefited from insurance become its ambassadors and extend protection to loved ones, support staff and even pets before anything goes wrong. The giver hands over a fixed-value, open gift card that can only be spent on insurance of any type," said Saurabh Vijayvergia, founder and CEO of CoverSure.

Possible uses include siblings gifting insurance money during Raksha Bandhan, employers supporting employees' families, and community groups or fundraisers helping people who cannot afford insurance.

The card can be loaded with a minimum of ₹100 and a maximum of ₹10,000. CoverSure said it plans to introduce physical cards without this limit. Launched in August around Raksha Bandhan, the product has been used by more than 5,000 people to gift insurance, according to the company. The card is available through the CoverSure app.

Government cover for domestic help

If you want to extend financial protection to domestic workers or other support staff, you can help them enroll in government-backed insurance schemes.

Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) provides life insurance cover of ₹2 lakh in the event of the insured member's death due to any cause. The annual premium is ₹436. Eligible individuals can enroll through participating banks and other authorised channels.

Pradhan Mantri Suraksha Bima Yojana (PMSBY) provides accident insurance at an annual premium of ₹20. The benefit is ₹2 lakh for accidental death or total permanent disability and ₹1 lakh for partial permanent disability.

For healthcare protection, Ayushman Bharat Pradhan Mantri Jan Arogya Yojana (AB PM-JAY) provides eligible families with health coverage of up to ₹5 lakh a year. The same coverage is available to all senior citizens aged 70 and above through the Ayushman Vaya Vandana Yojana, irrespective of their income.

Gifting insurance can be a meaningful way to help someone begin their financial protection journey. But before paying a premium, check whether the insurer or government scheme permits the arrangement and what documentation is required. That will help ensure the money reaches the intended beneficiary.