

EPF 2026

UNDERSTANDING THE INSURANCE IMPACT OF THE INR 25,000 WAGE CEILING

India's statutory social security landscape is entering a new phase. The government has increased the Employee Provident Fund (EPF) wage ceiling for mandatory coverage from INR 15,000 to INR 25,000 per month, effective from September 17, 2026. The revision, the first since 2014, is expected to bring more than 51 lac additional employees into the EPF framework¹. Its significance lies in the interconnected nature of employee benefits, for employers, the key consideration is therefore not only the wage ceiling change in the EPF framework, but what this could mean for their existing employee insurance arrangements.

The answer will also depend on how each organisation's Employee Deposit Linked Insurance (EDLI) and Group Term Life (GTL) arrangements are structured, particularly

where coverage is linked to statutory eligibility, salary, or a defined sum assured formula. Therefore, this creates a new opportunity to move beyond compliance and assess the full employee benefits ecosystem.

The key question is no longer simply, "How much will PF increase?"

It is,

"Does the revised EPF wage ceiling change the population, sum assured or premium exposure under our existing insurance programme?"

Where to start | Identify who moves into scope

The enhanced wage ceiling changes the starting point for assessing the EPF coverage. With the ceiling moving from INR 15,000 to INR 25,000, **the immediate consideration for employers is not simply the number of employees within this wage band, but how the change interacts with their existing contribution structure.**

The employee population can broadly be viewed across two cohorts, each with a different potential impact depending on their current EPF coverage and contribution basis.

Cohort 1

Employees already within the EPF coverage. Employees already contributing to their EPF may see limited or no change purely from the revised ceiling, depending on their existing contribution arrangement.

Cohort 2

Employees currently earning INR 15,000–INR 25,000, who were outside the mandatory coverage. This is potentially the largest newly affected population, estimated at 51 lac additional employees getting covered under the EPF framework.¹



WATCHPOINT | What is the employee population in the INR 15,000–INR 25,000 wage band that could potentially be covered under the EDLI policy?

Employee Deposit Linked Insurance (EDLI) | Is the statutory insurance exposure changing?

EDLI provides a death-in-service assurance benefit under the EPF framework. The current statutory EDLI has a INR 2.5 lac minimum and INR 7 lac maximum assurance limit, following the 2021 amendment. A higher EPF wage ceiling does not automatically mean a higher EDLI sum assured. The change will affect the number of employees coming within the EDLI framework and potentially the contribution economics, but the statutory maximum benefit continues to remain the same.



Prudent Outlook

Where an employer is already providing the maximum applicable EDLI sum assured of INR 7 lac under its existing arrangement, the revised EPF wage ceiling does not create any incremental sum assured requirement.

However, where the sum assured is linked to the actual statutory EDLI assurance², any enhancement in the sum assured arising from the revised provisions should be evaluated, and the necessary endorsement

may need to be incorporated in existing EDLI policy.

The key consideration remains that the employees who have been newly brought within the revised EPF coverage, must be included under the existing insurance arrangement. ”

EDLI coverage | Key clarification

The revised EPF wage ceiling does not, by itself, increase the statutory EDLI sum assured.

Any change to the EDLI benefit would require separate EPF notifications/applicable provisions, including the necessary permissions or approvals for insurance arrangements where relevant.



WATCHPOINT | Identify employees moving into the mandatory EPF coverage and validate whether they are already covered under the existing EDLI arrangement – or whether a policy endorsement is required?

The coverage shift under the revised EPF wage ceiling

Illustrative Scenario	Earlier Framework EPF ceiling: INR 15,000	Revised Framework EPF ceiling: INR 25,000
Monthly wage	INR 20,000	INR 20,000
EPF mandatory coverage threshold	INR 15,000	INR 25,000
EPF coverage status	Not mandatorily covered	Falls within mandatory coverage
EDLI eligibility	May not arise through mandatory EPF coverage	Potentially eligible, subject to applicable EDLI provisions (depending on whether EDLI exemption is applicable or not)
Statutory EDLI assurance	Not applicable	Up to INR 7,00,000, subject to the applicable EDLI formula and statutory cap*

*The EDLI Sum Assured = 35*Average Monthly Wage + 50% of Average EPF balance²

Group Term Life (GTL) | Where salary-linked GTL meets the EPF change

Unlike EDLI, GTL is an employer-sponsored group insurance arrangement, and the impact of the EPF change depends on the terms of the specific policy. Where the GTL sum assured is defined as a multiple of salary, a change in the salary basis used for determining coverage can create a corresponding change in insurance exposure.

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The market trend observed across employer-sponsored GTL programmes is that employers often structure the GTL sum assured at the maximum EDLI assurance level of INR 7 lac or above. Where the existing GTL sum assured is already at or above this level, the revised EPF wage ceiling does not, by itself, create an incremental sum assured requirement.

The key consideration is whether employees newly brought within the EPF framework are already covered under the GTL policy. Where they are not, the employer may need to pass the appropriate endorsement. ”



WATCHPOINT | For EDLI-exempted employers, has the existing GTL arrangement been assessed for employees newly brought within the revised EPF framework?

Gratuity liability | A separate wage question

The EPF wage ceiling and gratuity wage base should not be conflated. The payment of gratuity framework calculates gratuity based on the employee's last-drawn wages, with the statutory formula providing 15 days' wages for every completed year of service³.

Therefore, **EPF ceiling increases ≠ Automatic increase in gratuity.**

“ Prudent Outlook

The gratuity impact arises only where the employer's implementation of the revised EPF framework results in a change to the salary structure or CTC components that form part of the applicable gratuity wage base. Where the employer implements the EPF change without altering the relevant salary components, the revised EPF wage ceiling does not, by itself, create an additional gratuity liability. This assessment is based on the government notification and regulatory position available as of the date of this publication. ”



WATCHPOINT | What impact will the proposed salary restructuring have on the wage components considered for gratuity and the resulting liability?

Conclusion

The EPF wage-ceiling enhancement should be viewed as a trigger for an insurance coverage review, rather than only as a statutory contribution change. **Prudent can help you look beyond the statutory change and evaluate its practical implications across your insurance programme, from whether your GTL and EDLI structures remain appropriately aligned, including assessing premium implications, to arranging necessary endorsements.** For employers, the priority is to establish:

WHO: Identify the employees potentially brought into the revised EPF framework.

WHAT: Assess the resulting EDLI eligibility and review salary-linked GTL arrangements.

HOW MUCH: Quantify the potential change in lives, sum assured and premium exposure.

WHAT NEXT: Determine whether endorsements, additional lives, sum assured changes or other policy actions are required.

EPF insurance readiness scorecard

A quick diagnostic to assess insurance implications and identify potential policy actions arising from the EPF changes.

Insurance Coverage Checkpoints	Yes	No	Reach out to Prudent
1. Workforce identification – Have employees in the INR 15,000–INR 25,000 wage band been identified?	☐	☐	☐
2. EDLI eligibility – Has the potential impact on EDLI eligibility and statutory assurance been assessed?	☐	☐	☐
3. EDLI benefit validation – Has the applicable EDLI formula, benefit and statutory cap been validated against the revised framework?	☐	☐	☐
4. GTL eligibility – Has the impact on GTL eligibility been assessed for potentially affected employees?	☐	☐	☐
5. GTL sum assured – Where GTL is salary-linked, has the potential change in sum assured been quantified?	☐	☐	☐
6. Premium & policy action – Have incremental premium exposures and required lives/sum assured endorsements been identified?	☐	☐	☐

Reference Link

- https://www.pmindia.gov.in/en/news_updates/cabinet-approves-enhancement-of-epfo-wage-ceiling-from-rs-15000-to-rs-25000-per-month/
- <https://www.epfo.gov.in/insurance-scheme-edli/>
- <https://labourlawreporter.com/gratuity.asp>



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