Employer Employee Insurance
An Employer has Insurable Interest in the life of an Employee and vice-versa (Insurance act 1938 as amended upto date)
What is Employer Employee Insurance?

• Insurance Policy is taken by Employer on the life of his Employees.
• It is not an insurance policy by itself, but an arrangement.
Objectives of Employer Employee Insurance?

- Provide this as an additional benefit to the employee in order to retain the services of the employee.
- Make provision as a welfare measure for the dependents of the employee, in case of premature death or old age provision for employee himself.
- Provide this as an employer sponsored fringe benefit which is a valuable part of the compensation.
Employer Employee Insurance - Benefits?

Benefits to EMPLOYER

• Increase in loyalty of the Employee

• To minimize Employee attrition rates which hurt business (The expense of recruiting and training new employees is high).

• Enjoy Tax Rebates on the premium paid

• An attractive incentive to retain TALENT.
Employer Employee Insurance - Benefits?

Benefits to EMPLOYEE

• Provides Employee with long term and short term security against premature death, illness, accident/disablement.

• In addition to benefits from company on retirement, employee gets Maturity Claim from Employer.

• Employee need not bother about buying and administering the policy.

• Tax-free income as claim.
Employer Employee Insurance - Interpretation of Tax Implications?

• Premium paid by Employer is taken as business expense and is a deductible expense U/s 37(1) of IT act.
• Premium paid by employer is considered as ‘perquisite’ in the hands of the employee and hence will become a part of ‘income chargeable to income-tax for the employee, u/s 17(2)(V) of IT act.
• Premium paid by employer can be claimed for IT Rebate U/s 80C by employee.
Employer Employee Insurance - Eligibility

• The proposal will be treated as individual proposal from the employee concerned.
• The medical examination/special reports will be decided on the basis of SUC for the individual life proposed (employee).
• The maximum eligible insurance for the employee will be based on his/her individual income.
Employer Employee Insurance -
Condition on ‘Beneficial Ownership’

• Total share holding of the Employee, his/her spouse and minor children in the Company should be less than 71 %

• Total share holding of the Employee in the Company should be less than 51 %
Employer Employee Insurance
-Requirements 1

• Proposal form 300 or 340. If 340 submitted, then details of Assignment also to be submitted [If employer is proponent, policy shall be assigned to the life assured(employee) as per an agreement between the Employer and Employee].

• The proposal should be signed by a person authorized by resolution.
1. A separate letter shall be obtained from the Employer stating-
   i. The object of Insurance
   ii. The restrictions he desires to impose in respect of surrender, loan etc of the policy (normally these should not go beyond 5 years from the date of policy)
   iii. That he would assign the policy to the life assured
Employer Employee Insurance
-Requirements 3

• Book of Accounts or IT orders for the last 3 years of the company to check the profitability of the company as the premium liability lies with the company.

• Copy of the Board resolution- employer to obtain approval from the board or the sources authorized to act for and on behalf of the company for starting the Employer Employee Scheme
What are the ‘Conditions/Restrictions’ referred to? A

• Initially the employer is the Proposer and employee is the life assured. A specified period is decided generally a period of 3 to 5 years during which the Employer will be the policyholder and will pay premiums. The Employer can continue to pay premiums for the Employee even after the ‘Specified Period’ also.
What are the ‘Condition/Restrictions’ referred to? A

- The Employer should undertake to assign the policy to the Employee absolutely upon the Employee continuing to remain in employment with the Company for a period specified by the Employer.
• If the Employee quits the job within the specified period, the Employer can either surrender the policy for its surrender value to the insurance company or absolutely assign the policy to the employee as a part of the terminal benefits.
What are the ‘Condition/Restrictions’ referred to? 

- No withdrawals (surrenders/loan) are generally permitted to be made by the Employee.
Employer Employee Insurance - Format

1. Name of the Employer: ........................
2. Address of the Employer: ..................
3. Financial Profile of the Employer:

<table>
<thead>
<tr>
<th>Year</th>
<th>Turnover</th>
<th>Net Profit before Tax</th>
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Employer Employee Insurance - Format

4. Date of formation of the Firm/Company: ........

5. The Employer is: a partnership/propriety/company ...........


7. a) Name of the employee to be insured under the Employer Employee Insurance Scheme:
   b) Designation of the Employee: ...........
   c) Yearly salary being paid to the employee: ...........
Employer Employee Insurance - Format

8. Object of the Insurance……………..

9. Do you wish to impose any restrictions /conditions on the employee in respect of Loan, Surrender etc after you assign the policy in favour of the employee?…………

10. Conditions, timing etc of assigning the policy to the life assured:…………………

11. Is the person signing this form duly authorized to sign this form on behalf of the Employer?…………
Employer Employee Insurance - Format

I agree that I will assign the policy in favour of the above employee and the declarations made by me will form a part of the insurance contract being entered into in respect of the employee of mine.

Place:  
Date:  
Signature and Seal of the employer/Authorised representative with designation
Employer Employee Insurance-

As a sales man what is the Benefit?

- Access to any FIRM-Big or Medium
- Provides you an opportunity to Market ‘Benefits of Insurance’ as a Solution to the Employer’s Concern
- Excellent Opportunity to Increase customer base
- Possibility to present Insurance Planning to the Decision Maker/CEO in a Company
- WORK as a FINANCIAL PLANNER
Thank You