

Employer – Employee scheme.

KOTAK LIFE INSURANCE POLICY FOR ISSUE OF LIFE INSURANCE POLICIES UNDER THE EMPLOYER – EMPLOYEE INSURANCE SCHEME

EMPLOYER EMPLOYEE SCHEME:

The points we discuss here are general in nature. These may be understood well by the Insurance Intermediary like agent / Life advisor / Employee of the Insurer or those who promote this scheme. Most importantly, the Employer & Employees / proposer or the policy holder, i.e. the proposer & the insured also, be known to these details.

Under this scheme, any plan as per the norms & guidelines from the insurer can be offered.

We'll deal separately KEYMAN POLICY, PARTNERSHIP POLICY etc, in depth, in some other article.

KOTAK LIFE INSURANCE POLICY FOR ISSUE OF LIFE INSURANCE POLICIES, UNDER THE EMPLOYER-EMPLOYEE SCHEME*.

(*look for some latest updates as on 31.03.2014, at the bottom of the article)

1. Definition

Employer-Employee Scheme can be offered where:

- o The employer is the proposer
- o Proposal Applications for at least 5 employees should be jointly preferred by an Employer
- o Assignment in favour of employee is compulsory [such assignment could be immediately subsequent to the policy being issued or latest within 3 years from such date].
- o The employee would be the life to be insured,
- o First premium to be paid by Employer and subsequent premiums may be paid by the Assignee/or may be continued to be paid by the Employer
- o The intention of the Employer is to retain its employees and further that the respective employee or his/her nominee is to benefit in the event of a claim.
- o Where a death claim is preferred before assignment the claim amount would be released vide a cheque drawn in favour of the nominee of employee life insured, however the same shall be to the account of the Employer [i.e. the Policyholder].

A letter confirming discharge of KLI's obligations would be taken from the Employer [i.e. the Policyholder]. The name of employee's nominee shall be furnished to KLI by the Employer [i.e. the Policyholder]

1A .The Relationship:

An Employer-Employee relationship would be established where the Employee earns a salary from the employer.

The following employer employee relationships are common:

- A sole proprietor as the employer where the employee (other than the sole proprietor) is any employee of the sole proprietary concern.
- A partnership firm as the employer where the employee (other than a partner) is any employee of the partnership firm.
- A corporate as the employer where the employee is any employee of the corporate.
- Any other legal entity as the employer and its employees.
- It would be the duty of the Life Advisor and the Sales Manager to determine whether the proposal falls under the Employer -Employee scheme or the Key Man scheme. The same will have to be marked on the proposal form.
- If the proposal falls under the employer employee scheme, then normal policies & procedures shall be followed subject to the following.

2. Proposal Form & Documentation.

Documents to be collected at Proposal Stage:

- Normal Proposal Form to be used.
- The proposal form has to be signed by an authorized signatory of the Employer along with the seal or stamp of the entity.
- A letter on the entity's letterhead in the standard format provided by KOTAK LIFE INSURANCE (Appendix 1* call for the latest format / version from the insurer) and signed by the sole proprietor or the managing partner or the authorized signatory as per the Board Resolution in case of a company or the governing body in case of any other employer
- In case of a company a certified true copy of the board resolution (in the format provided by KOTAK LIFE INSURANCE (Appendix 2 * call for the latest format / version from the insurer) stating the following:
 - The fact that they have opted for the employer-employee scheme and they will
 - be paying premiums on behalf of the employee
 - The authorized signatories (which KOTAK LIFE INSURANCE will recognize) who can sign documents on behalf of the employer along with
 - Specimen signatures of the authorized signatories.
 - The number and names of the employees to be covered
- The sum to be assured, the term, the plan, the riders
- The assignment form duly filled in and signed by the authorized signatory making an assignment in the name of the employee or Declaration as per (Appendix 3 * call for the latest format / version from the insurer) should be collected.

3. Nomination:

- The employer should be advised that on assignment, the employee i.e. life insured [to whom the Policy shall be assigned to] could appoint a nominee [nominee can be spouse, parents or children]. Along with a request for assignment [i.e. when submitting the Assignment Form with the original policy contract] the nomination Form duly filled in and signed by Assignee [the Employee life Insured] can be submitted.

4. Maximum Sum at Risk:

- There is no cap on the Maximum Sum at Risk per Employee. However the maximum SAR per employee cannot exceed the amount that the individual would have been otherwise eligible to as per KLI underwriting norms.
- The maximum Sum at Risk SAR, based on the Life to be insured's SALARY INCOME. Here we would not consider his Other Income.
- This would ensure that a person gets his eligibility purely out of his income being generated out of his association with the employer as an employee.

5. Medicals:

- Normal rules will apply based on the sum at risk for the employee.

6. Financial Documents:

- Details of the life to be insured and the employer are taken for financial underwriting.
- Accordingly normal financial documents [as prescribed by KLI] of the life to be insured and employer are called.
- Financials of both Life to be insured and the Employer shall be taken for financial underwriting purposes.
- Accordingly, normal financial documentation of both the Life to be insured and the Employer, as per the normal underwriting guidelines of the Insurer as applicable to a non Employer- Employee Insurance case, shall be required.
- There has to be a satisfactory document justifying that the Life to be insured is a Salaried Employee.
- The Insurer shall have a right to call for a confirmation of the Income Proof.

7. Products & Riders:

- All products / plans and riders can be offered under this scheme.

8. Policy:

- Normal Policy document will be used
- Once the policy has been issued the Employer has to assign the policy in favour of the employee or submit a Declaration to assign (as per Appendix 3).
- The policy will be dispatched to the Employer in case of future assignment, in case of immediate assignment; the policy document will be dispatched to the Employee.

9. Policy Servicing:

- Premiums will be paid by the employer
- If the employee leaves the employ of the company or the employer (i.e. the Policyholder) does not want to pay the premiums on the policy the employer should intimate KOTAK LIFE INSURANCE in writing either at the branch or to the Policy Servicing Section at the CPC. At the branch, the intimation will have to be forwarded to the Branch operations Executive who in turn will forward the same to the Policy Servicing Section at CPC.
- All renewal and lapse notices will be sent to the policyholder.

10. Special Conditions:

- After the policy is assigned, Reassignment of the policy in favour of the Employer will not be permitted.

11. Claims:

- All claims will be processed in the normal manner and the amount due will be paid to the policyholder, his assigns, nominees or legal heirs.
- Where a death claim is preferred before assignment the claim amount would be released vide a cheque drawn in favour the nominee of the of employee life insured, however the same shall be to the account of the Employer [i.e. the Policyholder].
- A letter confirming discharge of KLI's obligations would be taken from the Employer [i.e. the Policyholder].

12. Tax Benefits:

- There is nothing that restricts a Corporate from proposing life insurance cover on the life of its employee; however the Income Tax Act does not provide a specific section under which benefits could be availed by such a Corporate Proponent.
- The policyholders [corporate/firms] can claim benefit of sec 37 (1) of the I.T. Act, provided the corporate is able to prove that the

expense satisfies the provisions of Sec 37(1) of the Income Tax Act, 1961.

- o Amount payable by an employer directly or indirectly to effect an assurance on the life of the employee is treated as a perquisite and taxable in the hands of the employee under Sec 17 of the Income Tax Act.
- o **Employee cannot claim under 80-C** (as the premium is being paid by the employer) and the benefits of the 10(10D). **Premium amount payable by an employer** directly or indirectly to effect an assurance on the life of the employee is treated as a **perquisite and taxable** in the hands of the employee under Sec 17 of the Income Tax Act. Any claim amount will be tax free!
- o You are advised to cross check with your Chartered Accountant / Tax consultants.

Amendments' on Employer & employee Scheme by KLI as on 31.03.2014.

Please note the EE guidelines: -

1. The Life to be insured has to be an Employee, beyond doubts. The role of the employee in the organization is purely in relation to the terms of employment therewith.
- 2 No partner would be given a cover under this policy. Exception That we had for certain class of working partners (though we Have very hardly used) will no longer be applicable.
3. The Employee, i.e., the Life to be insured, should not hold more Than 51% shareholding (Beneficial ownership) in the proposing Entity.
4. The employee should not, along with, his / her spouse, children, sons in-law, daughters-in- law, parents, spouse's parents, brothers, sisters, brothers-in-law, sisters-in-law and HUF, whether directly or indirectly, together should not hold more than n 71% shareholding (beneficial ownership) in the proposing entity.
- 5 The purpose of the employer in applying for employer-employee Insurance is for the Benefit of the employee and as an employees' Retention / reward tool. The respective employee or his / her Nominee is to benefit in the event of a claim. Under no circumstance, Shall the employer get the amounts paid by him (except free look Cancellation).

6. The premiums paid by the employer should not cross 50% of the salary earned by the Employee in the entity. Any exception to this (max. being 100%) can be approved only by Underwriting HOD, after taking into account various factors (Pre login approval is mandatory] far Premium more than 50% of the salary earned by the employee). Premium exceeding 100% of the salary from the proposing entity shall not be considered at all.
7. We should collect our annexure clearly mentioning disclaimer about the tax part and should be signed by both the proposer (Employer) and the life to be insured (employee).
8. Underwriting team to do a tele-calling from a recorded line and verify about the entire EE plan and whether they are aware that tax deduction / exemption may or may not be allowed by the IT authority and shall be as per their interpretation.

Insurance is the subject matter of solicitation.

You may feel free to call your preferred Kotak Life Advisor:

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