

KEYMAN (or) KEYPERSON SCHEME / KAYMAN (or) KEYPERSON POLICY

KOTAK LIFE INSURANCE POLICY FOR ISSUE OF LIFE INSURANCE POLICIES UNDER THE KEYMAN / KEY PERSON SCHEME

1. Definition

The purpose of Key man / Key Person Insurance is to protect a business firm against the reduction in profits resulting from the death of a valuable and important person to the business entity.

Loss may be grouped in TWO broad categories,
Reduction in profits
And cost of replacement.

A Key man / Key Person Policy has the following features:

- The Entity is the Proposer
- The employee \ director would be the life to be insured ,and,
- premiums will be paid by Entity ,and,
- The intention of the Entity is that the entity is to benefit in the event of a claim.
- The following Key man / Key Person relationships are common:
- A sole proprietorship as the entity where the life to be insured (other than the sole proprietor) is any employee of the sole proprietorship
- A partnership firm as the entity where the life to be insured (other than a partner) is any employee of the partnership firm.
- A corporate as the entity where the life to be insured is any employee \ director of the corporate
- Any other legal entity as the employer and its employees.

- KOTAK LIFE INSURANCE will be offering policies under this scheme preferably where the entity is a PARTNERSHIP FIRM OR A CORPORATE
- A Partnership Firm to qualify should:
 - Have a partnership deed
 - Be in existence for a minimum of 3 years
 - Have audited accounts for the last 3 years, and

- Have completed filing income tax returns for at least the last 3 years.
- A Corporate to qualify should:
 - Be incorporated under the Companies Act, 1956
 - Be in existence for a minimum of 3 years
 - Have audited accounts for the last 3 years, and
 - Have completed filing income tax returns for at least the last 3 years.

If the proposal falls under the Key man / Key Person scheme, then normal policies & procedures shall be followed subject to the following:

2. Proposal

The following documents are required to be filled or provided:

For a Partnership Firm:

- A letter signed by all the partners stating the following, format shall be provided by KOTAK LIFE INSURANCE See Appendix 1* call for the format. Plz. Check for the recent version as it is subject to change from time to time) covering:
 - The fact that they have decided to take a Key man / Key Person policy to cover an employee and a confirmation that all premiums will be paid by them
 - The fact that this employee is not a partner in the firm. The Partner as a Key man /Key Person is covered in a separate write up. (# call for details, if required)
 - The authorized signatories (which KOTAK LIFE INSURANCE will recognize) who can sign documents on behalf of the partnership firm
 - The names of the employees to be covered
 - The sum to be assured, the term and the plan.
 - The specimen signatures of the authorized signatories verified by the managing partner
 - Normal Proposal Form is to be used. The proposal form has to be signed an authorized signatory of the Employer along with the seal or stamp of the partnership firm.
 - A Key man / Key Person questionnaire will have to be filled in and signed by the authorized signatory along with the seal or stamp of the partnership firm

For a Corporate:

- A certified true copy of the board resolution, format shall be provided by KOTAK LIFE INSURANCE See Appendix 2* (call for the format. Plz. Check for the recent version as it is subject to change from time to time) is required to state the following
- The fact that the Company has decided to take a Key man / Key Person policy to cover an employee and a confirmation that all premiums will be paid by the Company.
- The authorized signatories (which KOTAK LIFE INSURANCE will recognize) who can sign documents on behalf of the Company
- The names of the employees to be covered
- A letter signed by the authorized signatory, As per Appendix 1* (call for the format. Plz. Check for the recent version as it is subject to change from time to time)
- The specimen signatures of the authorized signatories verified by a director
- A Normal Proposal Form is to be used. The proposal form has to be signed by an authorized signatory along with the seal or stamp of the company.
- A Key man / Key Person questionnaire will have to be filled in and signed by the authorized signatory along with the seal or stamp of the company, As per Appendix 3* (call for the format. Plz. Check for the recent version as it is subject to change from time to time)

2A. Financial Documents:

Financial documents to be submitted by the Company or Partnership firm as the case may be

- The entity will have to submit a copy of its Memorandum and Articles of Association \ Partnership deed as the case maybe
- The entity will have to submit the audited balance sheet and profit & loss account for the last 3 financial years.
- The entity will have to submit income tax returns for the last 3 financial years.

3. Maximum Sum at Risk

- The overall maximum sum at risk allowable for an Entity under Keyman shall be the higher of
- 10% of its net worth or
- 5 times the average annual net profits before depreciation but after tax for the last 3 years.
- In ascertaining the cover for the Key man / Key Person the company will rely on the assessment done by entity as to his worth to the entity. Weight will also be given to the salary, where drawn by the Key man / Key Person.

- If the amount of maximum sum at risk calculated for the Key man / Key Person is less than Rs 10 lacs, the employee will not be eligible for Key man / Key Person Insurance.
- Net worth is defined as, Share Capital + Reserves (excluding Revaluation Reserve) - Accumulated losses – Miscellaneous Expenditure.

4. Plans and Riders offered under Key man / Key Person

- Only the Kotak Preferred Term Plan (KPTP) and Kotak Term Plan (KTP) can be offered.
- Term Cover, Accident Death Benefit, Permanent Disability Benefit and Critical Illness riders will be allowed on a Keyman policy.

5. Medical

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

6. Policy

- Normal Policy document will be used

7. Premiums

- Premiums will be paid by the employer.

8. Policy Servicing

- Assignment by the employer will be allowed only in favour of the employee or
- Favour of the new employer of the employee if the employee leaves the services of the Proposer employer (earlier employer). This can be done only if an application in writing is received from both the Proposer employer (earlier employer) and the new employer and all the requirements and conditions stipulated by KOTAK LIFE INSURANCE have been met. or
- as a security by the entity to obtain a loan

9. Claims

- All claims will be processed in the normal manner and the amount due can be paid to the employer.

10. IF THE KEY MAN / KEY PERSON LEAVES THE EMPLOY OF THE EMPLOYER

In such a situation the Employer could

- recover the surrender value* (if any, term plans do not have any surrender value) from KOTAK LIFE INSURANCE
- assign the policy absolutely to the new employer of the Key man / Key Person.
- assign the policy absolutely to the KEY MAN / KEY PERSON himself (in which case it ceases to fall under Keyman insurance and future premiums would be payable by the erstwhile Key man / Key Person)
- allow the policy to lapse (this should be discouraged and the financial loss to the Employer be highlighted)

Insurance is the subject matter of solicitation.

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

Mr. Arvind V Mani on h/p: +91-9789450467 or mail to: kotaklife.arvind@gmail.com.

Web source: <http://www.growmoneyfincorp.com/kli/kli.html>

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