



Employer – Employee Insurance

Key to success- Employee satisfaction

It's no secret that employees are the most important asset of the company. Hence, it becomes imperative for an organization to show its concern towards their well being.

Simple gestures like providing them with a Life Cover for their family's secure future goes a long way in contributing to higher **employee satisfaction and earning their loyalty towards the organization.**

Presenting the Employer-Employee Cover



Employer-Employee Cover

A life insurance taken by an employer on the life of the employee of the organization

- Employer can choose to propose policies on all or limited number of employees.
- This cover comes with all Aviva Life Insurance plans

The policy provides insurance for the employees as an incentive/ benefit or reward and the employer can use it as a possible retention tool to retain the talent in their organization.



Option A (Employee as proposer):

- Employee is the proposer and life assured.
- Employee is the owner of the policy.
- Employer pays the premiums. He is merely a 'payer/aggregator' of the premium.

Option B (Employer as proposer):

- Proposer is the employer and Life to be assured is the employee. Employer is the policy owner and pays premium.
- The policy is treated as Keyman Insurance for the purpose of taxation.
- The employer has to specify the condition & period by when the policy will be assigned in favor of employee.
- The option is used by the employer as a retention tool.

Option A: Some point to remember

Taxation Benefits:



- Under option-A , the employee would receive Section 80C (Income Tax Act, 1961) benefits for premiums paid.
- Under option-A, the proceeds received by the employee will be exempt under Section 10(10D) (Income Tax Act, 1961).

Option B: Some point to remember

- Under option-B employer is the proposer and retains the right to assign the policy to the employee. The time and manner of assignment is defined in the scheme.
- The policy would be treated as Key-man Insurance for purpose of taxation.
- Post assignment under option-B, the employee is the owner of the policy.



Assignment of the Policy

Taxation Implications:



- Any proceed received at the 'pre-assignment' stage will be taxed in the hands of company.
- Under option B employer is the proposer and retains the right of the policy and also pays the premium. Hence no tax implication for the employee.
- Any proceeds received 'post-assignment' of policy will be taxed in the hands of employee.

Employer-Employee Cover

- All employees are eligible to be covered under Employer – Employee insurance irrespective of their shareholding.
- Authorized signatory's signature & stamp and the company seal is mandatory on the Proposal form & addendum, if opted for Option B.
- Form 16 / ITRs of each individual employee – as per standard financial u/w process.
- Income multiplier will be used as 5 times on net profit of the company and 3 times on gross profit of the company.
- Standard multiple factor for employee is applicable.




Limitations of the Cover

Proprietor cannot be offered EE cover, however the employees of the proprietor company are eligible for the EE Cover.

In case of partnership firm, employer employee policy cannot be taken on the life of any partner of the firm, however the employees of the firm are eligible for the EE Cover.

Employer–Employee policies proposed by the employer cannot be booked under Married Woman Property Act (MWPA).



**Employer-
Employee Cover**

Basic Requirements

- ❑ Resolution of board of directors for EE Cover.
- ❑ Letter of Undertaking -Option A or B to be provided.
- ❑ Eligibility criteria for coverage to be clearly mentioned in the Letter of Undertaking.
- ❑ The proposal form and Letter of Undertaking should be signed by the authorized signatories with the stamp and seal of the company.
- ❑ Last 3 years Income Tax Returns (ITRs) / Audited Balance Sheet and profit & loss account of the employer to be provided.
- ❑ Last 2 years Form 16 / ITRs, salary slip, bank account statements showing salary credits of the employee, if required as per financial underwriting guidelines.



Note: Normal documents as mandated by AML, KYC and Underwriting guidelines

Some points to remember

There is no restriction on the minimum or maximum numbers of employees for an organization to opt for an EE insurance scheme.

Individual products including pension products can be offered under EE insurance.

Proprietorship firm can also propose an EE insurance scheme on the lives of its employees. However, firm cannot take cover on the Proprietor under Employer – Employee Insurance.

Important – the SA limit / product / acceptance of proposal would depend on individual employee's medical & financial u/w.

Partnership firm cannot propose an insurance policy for its partners under EE Insurance.

Individual Proposal Forms need to be filled for each employee and the same has to be signed by the proposer.



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