



KEYMAN 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 Keyman Cover



Keyman or Keyperson defined

- Key executive
- Key employee
- Whole time director

His talent and experience account for much of the success of the business. He is a person who cannot be easily replaced by the virtue of long experience or special qualifications.

Keyman should be someone with considerable interest in the company.

However, a proprietor is not covered under this definition.



Keyman Life Cover

Key person insurance is taken by a business for its own benefit and not for the benefit of its employee.

- Premium is paid by the business or company.
- It retains the right to the policy.
- Is eligible to receive the policy's benefits.

The main objective of this kind of cover is to indemnify the Business / Company against the risk of death of the Key Person.

Quantum of Insurance will depend on the key person's contribution to the company's profits keeping in mind:

- His Qualifications.
- Experience
- No. of key persons in the company

Possible risks to business due to loss of a key man due to death:

- Decrease in sales and production.
- Impaired customer and supplier confidence.
- Weakened credit standing of business.
- Forced liquidation of business.
- Delay or termination of projects or future plans.
- Reduced brand value.
- Reduction of profits.
- Hostile takeovers.

Advantages to business opting for key man insurance:

- Provide funds to Recruit, Hire, and Train a suitable replacement.
- Assure Customers, Creditors and Employees of the continuity of the business.
- Mitigate the loss of Profits.
- Benefits' proceeds payable to the company.

The cover for all the key persons in the company will be limited to the least of the following:

- 3 Times of Average PBDT (Profit before Depreciation and Taxes) for the last 3 years.
- 5 Times of Average Profit Before Taxes (PBT) for the last 3 years.
- Individual Key person's cover limit as per his/her financial capacity



Sum Assured limitation

Plan limitation



- Only **PURE TERM** Plan can be given.
- Maturity of the policy to coincide with the retirement age of the key person.
- Company being the owner of the policy, nomination is not allowed.

Assignment of the policy

In case of the key person leaving, the policy can be assigned by the Company to the resigning employee in consideration for services rendered till date. The policy will then continue as individual policy which will be funded by the individual in his own name with a new nominee.

The Keyman policy bought by one company cannot be brought under Keyman with a new employer. The new employer would have to take a fresh policy under Keyman for the employee who has moved in as a Keyman.

On assignment the applicable Surrender Value would be taxable in the hands of Keyman and amount received on death won't be exempt.

Other points to remember

Following documents are required to execute a Keyman Insurance:

- Copy of Memorandum and Articles of Association.
- Copy of Resolution of Board authorizing such an insurance.
- Copy of audited accounts for the last 2 years.
- Key person Questionnaire.
- I. T. returns of the Key person for the last 2 years.
- Normal documents as mandated by AML, KYC and Underwriting guidelines.

A company should buy Keyman Insurance for following advantages:

- Company is indemnified in case of the sudden death of the Key Person.
- Policy can be gifted to the Key Person as a token of appreciation at the time of resignation/retirement (by assignment).
- A tool for retaining the Key Person.





A Joint Venture between Dabur Invest Corp and Aviva International Holdings Limited

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