



Ashutosh Vaidya / Entrepreneur

PROTECTING the key foundations to your business success

Aditya Birla Sun Life Insurance Keyman Insurance Policy

- Safeguard the business from financial losses occurring due to death/critical illness of key employee
- Risk mitigation & business continuity

Life Insurance

Aditya Birla Sun Life Insurance Company Limited



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CAPITAL**

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Aditya Birla Sun Life Insurance Company Limited (Formerly Birla Sun Life Insurance Company Limited)
Registered Office: One Indiabulls Centre, Tower 1, 16th Floor, Jupiter Mill Compound, 841, Senapati Bapat Marg, Elphinstone Road, Mumbai - 400 013. IRDAI Reg No.109 CIN: U99999MH2000PLC128110 www.adityabirlasunlifeinsurance.com
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For more details on risk factors, terms and condition please read the sales brochure carefully before concluding the sale.

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Losing a key employee to an unfortunate eventuality can have devastating consequences to the business as a whole. Life Insurance policy purchased by an employer on the life of its key employee/s to protect the business from financial losses occurring due to untimely and unfortunate death or illness of the employee is known as Keyman Insurance (KI). This arrangement is based on the principle of insurable interest which an employer has on the life of its employees. Keyman Insurance is an essential part of a sound and comprehensive risk management strategy of a business.

Benefits of Keyman Insurance Policy to the Business

- Safeguard the business from financial losses occurring due to death/critical illness of key employee
 - Risk mitigation & business continuity
 - Provides corpus for ex gratia payment to the family of deceased employee
 - Business protected on human capital can attract finance on favourable terms
 - Corpus for fresh hiring/pay off any liabilities
 - ⁽¹⁾Tax Benefit
- ⁽¹⁾Tax Benefits and rates are subject to changes in the tax laws'

Eligibility

- Any company or firm can propose a Keyman Insurance Policy on the life of its key employee
- Who can be a Keyman (Ideal Profile):
 - Full time Director
 - Employee with specialised skills

- Employees working at key positions
- Employees handling key responsibilities
- Working Partner & Partner with specialised skills
- To insure employees as Keyman, there has to be employer-employee relationship between the business and the Keyman. Salary Slip along with Bank Statement reflecting salary credit, Form 16, Appointment Letter, etc. is documentary evidence of employer-employee relationship
- Profit making company or firm can propose policy under this scheme
- Allowable Age, Sum Assured, Death Benefit, Policy Term, Pay Term and other product specific features depends on the product opted (only term plan) for under the scheme.
- Quantum of Insurance is approved after financial & medical underwriting of the proposal by ABSLI
- Quantum of Insurance is decided by two factors:

1. General Factors

- His services in the company and his previous records
- Whether he is the only Keyman in particular area of expertise
- His experience vis-à-vis exposure in different capacities
- Qualification of the Keyman

2. Special Factors

- The cost & time required for replacement of the Keyman with someone with similar knowledge and skills.
- The probable financial loss occurring due to demise/critical illness of the Keyman

- Method to quantify coverage basis special factors (Lowest of the three):
 - a) 10 times of annual gross compensation paid to the Keyman
 - b) 5 times of the average net profit of the company for last 3 years
 - c) 3 times of the average gross profit of the company for last 3 years

Net Profit: Profit after depreciation and tax.

Gross Profit: Profit before depreciation and tax.

Taxation

- a) Premiums paid by the employer under Keyman Insurance Policy can be claimed as deduction under section 37 (1) of the Income Tax Act, 1961.
- b) Keyman Insurance Policy for income tax purposes shall continue to remain as Keyman Insurance Policy even after assignment.
- c) For all payouts under Keyman Insurance Policy, tax benefit under section 10(10D) shall not be available therefore ABSLI will deduct TDS as per prevailing rates u/s 194 D A (currently 1%) provided the total payout to the payee is ₹1 lakh or above in a financial year.

** Tax Benefits and rates are subject to changes in the tax laws. Clients are advised to consult their Tax Consultant on above tax positions.

Points to Remember

1. Death benefit is always paid to the employer until and unless the policy is absolutely assigned to the Keyman.
2. Absolute assignment in the name of Keyman can be done anytime during the Policy Term.
3. Keyman Insurance Policy is allowed on the life of Partners but not on the life of proprietor.
4. In case of employee leaving the organization before end of Policy Term, employer can opt for any of the below options:
 - a) Absolutely assign the policy to the Keyman without any financial consideration.
 - b) Absolutely assign the policy to the Keyman against financial consideration.
 - c) Surrender the policy to the insurance company.
5. Responsibility of informing ABSLI regarding termination of employment of the insured Keyman is of the employer and ABSLI holds no responsibility. Such policies ideally should be surrendered to the insurance company.
6. Keyman should be actively involved in functioning of the business.
7. Keyman Insurance policies can be assigned to financial institutions as collateral by the organization.
8. Keyman Policy on life of NRI can be proposed under this scheme, provided NRI is a Keyman, staying in India and employer has a registered office in India. However underwriting decision will be made on the merits of the case.
9. Riders are not allowed for Keyman Policy.

Products offered

Only Term Plans can be offered under Keyman Insurance.

Documentation

Sole Proprietorship

• POLICY OWNER

Sole proprietor (All KYC submitted should be self-attested by the proprietor)

• KYC DOCUMENTS

- Recent Photograph
- PAN Card
- AADHAAR
- Address Proof
- Legal Person and Beneficial Owner Declaration (in ABSLI Format)
- AML/FATCA/CRS declaration (if not part of the application form)
- Letter from employer on its letter head with its seal and signature of authorised person mentioning below details:
 - a) Objective of insurance along with type of policy (KI) and coverage proposed
 - b) Details of the Keyman along with designation

- Keyman Questionnaire
- CKYC Form

- **INCOME PROOF (Any one)**

Latest ITR with balance sheet and computation of Income/Audited accounts of the firm/Chartered Accountant's Certificate.

Partnership

- **POLICY OWNER**

Partnership Firm (All KYC submitted should be self-attested by the Authorised Signatory)

- **KYC DOCUMENTS**

- Partnership Deed along with Registration Certificate (if registered)
- PAN Card of the firm
- AADHAAR & PAN of the Authorised Signatory
- Address Proof
- CKYC Form
- Legal Person and Beneficial Owner Declaration (in ABSLI Format)
- AML/FATCA/CRS declaration (if not part of the application form)
- Letter from employer on its letter head with its seal and signature of all partners mentioning below details:
 - a) Objective of insurance along with type of policy (KI) and coverage proposed
 - b) Details of the Keyman along with designation
- Keyman Questionnaire
- Power of Attorney granted to its managers, officers or employees to transact business on its behalf

- **INCOME PROOF (Any one)**

Latest ITR with balance sheet and computation of Income/Audited accounts of the firm/Chartered Accountant's Certificate.

Company

- **POLICY OWNER**

Company (All KYC submitted should be self-attested by the Authorised Signatory)

- **KYC DOCUMENTS**

- Certificate of Incorporation
- MOA (Memorandum of Association) & AOA (Article of Association)
- PAN Card of the Company
- AADHAAR & PAN Card of the Authorised Signatory
- Address Proof
- CKYC Form
- Share holding pattern along with name, address, PAN, DIN and specimen signature of all the directors)
- Power of Attorney granted to its managers, officers or employees to transact business on its behalf
- AML/FATCA/CRS declaration (if not part of the application form)
- Letter from employer on its letter head with its seal and signature of all partners mentioning below details:
 - a) Objective of insurance along with type of policy (KI) and coverage proposed
 - b) Details of the Keyman along with designation

- Keyman Questionnaire
- Legal Person and Beneficial Owner Declaration (in ABSLI Format)

- **INCOME PROOF (Any one)**

Latest ITR with balance sheet and computation of Income/Audited accounts of the firm/Chartered Accountant's Certificate.

Trust & Foundations

- **POLICY OWNER**

Trust (All KYC submitted should be self-attested by the Trustee)

- **KYC DOCUMENTS**

- Trust Deed along with Certificate of Registration (if registered)
- AADHAAR and PAN of the trustee
- PAN Card of the trust
- Address Proof
- CKYC Form
- AML/FATCA/CRS declaration (if not part of the application form)
- Legal Person and Beneficial Owner Declaration (in ABSLI Format)
- Keyman Questionnaire
- Letter from employer on its letter head with its seal and signature of all partners mentioning below details:
 - a) Objective of insurance along with type of policy (KI) and coverage proposed
 - b) Details of the Keyman along with designation

- **INCOME PROOF (Any one)**

Latest ITR with balance sheet and computation of Income/Audited accounts of the firm/Chartered Accountant's Certificate/Bank Statement.

Documentation of the Life to be insured (Employee)

- Age Proof
- PAN Card and AADHAAR
- Address Proof
- Form 16/Salary Slip for last 3 months/Latest Salary Slip along with 6 months Bank Statement reflecting salary credit/Latest ITR with balance sheet and computation of Income/Appointment Letter mentioning Salary Details (Income Proof should validate employer-employee relationship)
- Copy of Appointment Letter if Keyman Insurance is mentioned in the terms of the employment