



EMPLOYER - EMPLOYEE INSURANCE

The best way to protect your people and your business.

What is Employer – Employee Insurance Scheme

Employer – Employee Insurance Scheme is a welfare measure by an employer with progressive outlook and buys life insurance on the life of all or selected employees.

Since employer has insurable interest in the lives of its employee's u/s 2(11) of Insurance Act 1938, hence it can take life insurance policies in the names of its employees.

Important to note that, in those cases, where employer is the proposer of the policy, policy needs to be absolutely/conditionally assigned in favour of employee. For example, after Premium Payment Term or 3-5 years from the date of purchasing the policy.



Who can be covered

PVT and PUBLIC cos. All employees/ directors of Private Ltd / Public Limited Companies.

All employees of Partnership Firm, Trust, NGO, Sole Proprietor, HUF & any other legally formed business entity.

Who cannot be given an EE Policy

Partners of a Partnership Firm, Trustee, NGO owner, HUF Karta, Sole Proprietor – on their lives.

Taxation

The premium paying co. can claim 100% expense for the premiums paid u/s 37(1) of the IT Act 1961. In case the co. wants to continue to claim it as an expense, it is advisable to continue the policy under conditional assignment for the PPT else the premium paid by co. on behalf of the employee/ Director may make liable to pay tax u/s 17(3) as 'profit in lieu of salary' to the extent of premium paid by the co.

The claim will be taxed in the hands of the nominee since the insurance co. will levy a 5% TDS u/s 194DA while paying the claim and hence will reflect under 26AS of the nominee. (amendment on 01-10-2014). (In the future the tax-free benefit may be passed on to the nominee only in case tax laws are changed/ amended as & when the claim arises)

Any tax advice herein is based on current tax law and is subject to change. Client needs to consult his tax consultant on taxation clarity

Assignment of Policy in favour of Employee

Employer need to assign the policy in favour of employee while purchasing the policy under Employer – Employee Insurance Scheme. Assignment deed has to be filed with the company along with proposal form.

Assignment can be done in 2 ways

Absolute Assignment

In this scenario, policy assignment to employee takes place immediately on issuance of the policy, i.e., ownership of the policy is immediately transferred to employee on issuance of the policy.

Conditional Assignment

In this scenario, assignment takes place once condition for assignment is met. For example, if employee stays with the company for 'X' number of years then ownership of the policy will be transferred to employee.

Benefits

Death Benefit

Policy is absolutely assigned to the employee by the employer. After absolute assignment employee dies. Employee legal heir/spouse receives the Death claim. The Death Claim to spouse or legal heir of the deceased employee is subject to TDS**.

All the receipts in the hands of employee will be treated as Perquisite U/S 17(2), therefore nominee needs to pay tax (as per his tax slabs) on the claim amount.

Surrender Benefit

Policy is absolutely assigned to the employee by the employer. After absolute assignment employee surrender the policy. It will be treated as profit in lieu of salary in the hands of the employee.

All the receipts in the hands of employee will be treated as Perquisite U/S 17(2), therefore employee needs to pay tax (as per his tax slabs) on the surrender value.

Maturity Benefit

Policy is absolutely assigned to the employee by the employer. After absolute assignment employee receive policy benefits/ maturity proceeds. It will be treated as Profit in lieu of salary in the hands of employee. Policy needs to be assigned absolutely in favour of employee before maturity in EEIS therefore employee would get maturity claim.

All the receipts in the hands of employee will be treated as Perquisite U/S 17(2), therefore

One Stop solution for all your Long Term Financial Needs.
*For further details and support kindly connect with your
Relationship Manager/Team Leader/Regional Heads.

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- MOFSL Corporate agent does not underwrite the risk or act as an insurer.
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- MOFSL Corporate agent only render necessary assistance to the policyholders or claimants or beneficiaries in complying with the requirements for settlement of claims by the insurer.
- All claims under the policy will be solely decided upon by the Insurance Companies.
- For any queries with respect to Insurance Policies purchased through MOFSL, kindly contact us on Customer Support No: 022 40548000 and Email ID: mofslinsurance@motilaloswal.com

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Motilal Oswal Financial Services Limited (MOFSL)* Member of NSE, BSE, MCX, NCDEX CIN No.: L67190MH2005PLC153397

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No: 022-71934263; Website www.motilaloswal.com. Correspondence Office Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 7188 1000. Registration Nos: Motilal Oswal Financial Services Limited (MOFSL)*: IN2000158836. (BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412. AMFI: ARN - 146822; Investment Adviser: INA000007100; Insurance Corporate Agent: CA0579. Motilal Oswal Asset Management Company Ltd. (MOAMC): PMS (Registration No.: INP000000670); PMS and Mutual Funds are offered through MOAMC which is group company of MOFSL. Motilal Oswal Wealth Management Ltd. (MOWML); PMS (Registration No.: INP000004409) is offered through MOWML, which is a group company of MOFSL. • Motilal Oswal Financial Services Limited is a distributor of Mutual Funds, PMS, Fixed Deposit, Bond, NCDs, Insurance Products, Investment advisor and IPOs etc. These are not Exchange traded products and the Trading Member is just acting as distributor. All disputes with respect to the distribution activity would not have access to Exchange Investor Redressal Forum or Arbitration mechanism • Real Estate is offered through Motilal Oswal Real Estate Investment Advisors II Pvt.Ltd, which is a group company of MOFSL. • Private Equity is offered through Motilal Oswal Private Equity Investment Advisors Pvt. Ltd which is a group company of MOFSL. • Research & Advisory services is backed by proper research. Please read the Risk Disclosure Document prescribed by the Stock Exchanges carefully before investing. There is no assurance or guarantee of the returns. Details of Compliance Officer: Name: Neeraj Agarwal, Email ID: na@motilaloswal.com, Contact No: 022-40548085. The securities quoted are exemplary and are not recommendatory. Brokerage will not exceed SEBI prescribed limit. Customer having any query/feedback/clarification may write to query@motilaloswal.com. In case of grievances for Securities Broking write to grievances@motilaloswal.com, for DP to dpgrievances@motilaloswal.com.

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