

# Keyman Insurance

Have you **planned** to **safeguard** your **business** ?



## Concept

A Keyman is responsible for continued profitability, prosperity and growth of the organization. Absence of a Keyman may lead to decrease in revenue and profits, loss of business and delay in projects.

A life insurance solution can be utilized by a **business to compensate** the **financial losses** that would arise from the death of the key person of the business.

## Benefits



A security / protection is created on day 1 with a relatively small investment.



Business will not be affected financially in case the key person's eventuality.



This would enable banks and other creditors to maintain their confidence.



Employees and vendors would be assured about buoyancy of business.



The received funds can be used to find and train a suitable replacement.



Business can claim tax benefits under section 37(1) towards the premiums paid\*

## Working



The business entity is the Proposer

The key-person would be the 'life to be insured

Premiums would be paid by Business

On eventuality of the key-person, business gets the sum assured under death benefit.

## Sum Assured Eligibility



10 X

10 X Salary of the Insured



3 X Average Gross Profit

5 X

5 X Average Net Profit



Whichever is lesser is used to arrive at maximum allowed cover

## Documentation



- Application form signed by insured and the authorized person on behalf of the company
- Age proof of insured
- Board resolution allowing for purchase of a Keyman insurance and appointment of authorized signatory
- ITRs/ Audited book of accounts including P&L accounts/ Balance sheets of the company with all schedules for last 3 years
- KYC - POA & POI of Company and Life assured
- Personal ITRs of Keyman for last 3 years with computation of Income
- Memorandum of Association & Articles of Association / Partnership deed of the Company
- Keyman endorsement & Keyman Questionnaire
- Detailed resume of Keyman
- Beneficial Owner Declaration, along with KYC of all stakeholders

**Partners in partnership firm are not eligible for Keyman cover (They will be issued partnership insurance cover)**

\* Underwriters' Discretion applies

## Taxation\*



- The premium paid is eligible for business expense deduction in accordance to provisions of section 37 (1) of the Income Tax Act 1961.
- According to provisions of the Income Tax Act 1961, claim received will be treated as business income in case the insurance policy is not assigned. Claim received will be treated as income in hands of employee in case the insurance policy is assigned to him.

## Products Offered



- Only Pure Term Product as prescribed by IRDAI Circular currently will be allowed.
- No riders are allowed.
- The policy's term usually does not extend beyond the period of the key person's usefulness to the business. So the cover should not extend more than 5 – 10 years or beyond the age of retirement of keyman whichever is lower.
- Usually the keyman can be replaced in a 5 year period and hence 5 year term is the ideal term for keyman insurance. A 10 year policy term can be considered in case 5 year policy term is not available.

## Disclaimers

1. For more details on risk factors, terms and conditions please read sales brochure carefully before concluding a sale.
2. \*Income Tax benefits would be available as per the prevailing income tax laws, subject to fulfillment of conditions stipulated therein. Income Tax laws are subject to change from time to time. Tata AIA Life Insurance Company Ltd does not assume responsibility on tax implication mentioned anywhere in this document. Please consult your own tax consultant to know the tax benefit available to you.
3. Insurance cover is available in the products offered by Tata AIA Life Insurance.

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*IRDAI is not involved in activities like selling insurance policies, announcing bonus or investment of premiums. Public receiving such phone calls are requested to lodge a police complaint.*