



Business Insurance

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Agenda



- ✓ **Employer – Employee Insurance**
- ✓ **Insurance under MWP Act**
- ✓ **HUF**
- ✓ **Partnership Insurance**
- ✓ **Key Person Insurance**
- ✓ **Why Business Insurance?**



Employer – Employee Insurance

Employer – Employee



**My
Assets**

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What is Employer – Employee Insurance?



A Life Insurance policy bought by Employer on the life of Employees, for the benefit of Employees



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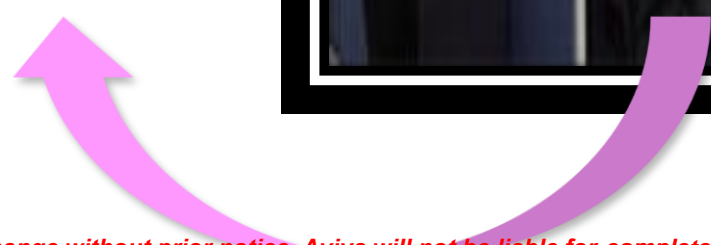
How Employer – Employee Insurance works?



**Employer
pays the
premium**



**Employees
get the
benefit of
Life
Insurance**



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Why should Employer – Employee Insurance be bought?



Excellent tool for employee motivation & retention



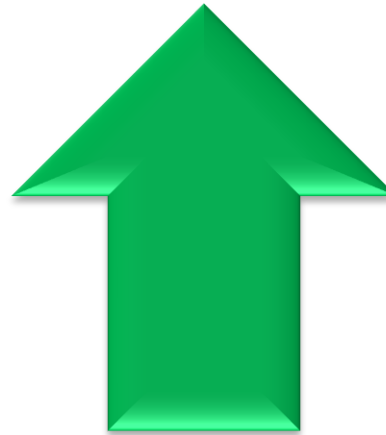
Promotes business continuity for long term



Enjoy associated tax benefits

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Tax Benefits



The amount of premium paid by the Employer shall be allowed as business expenditure from the Profits and Gains of Business and Profession of the Employer under Sec. 37(1) of the Income Tax Act, 1961



Reduced tax liability for the employer

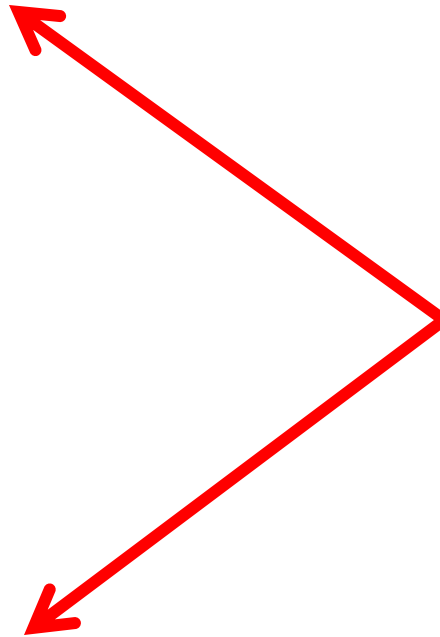


Tax benefits



Premium paid by the employer is treated as perquisite in the hands of the employee under Sec. 17 (2) (v) of the Income Tax Act , 1961

Premiums are deducted under Sec. 80C for the employee and the policy proceeds are exempted from tax under Sec. 10(10D) of the Income Tax Act, 1961



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Tax benefits areas per prevailing tax laws. Tax laws are subject to change

Employer – Employee Insurance: Benefits



For Employer

- Avail of Tax benefits
- Command employee loyalty
- Retain talent



For Employee

- Gain additional perquisite/incentive
- Enjoy Peace of mind through Life Insurance cover
- Generate tax-free income

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Insurance Under Married Women Property Act

What is MWP Act, 1874?



Under Sec. 6 of the MWP Act, 1874, a trust can be created for the exclusive benefit of the wife and children of a married

The Policy taken under MWP Act is assigned to the trust



Only Wife or children, any of them or all of them can be the beneficiaries

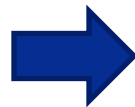
This policy is protected against any attachment even under a Civil Court decree

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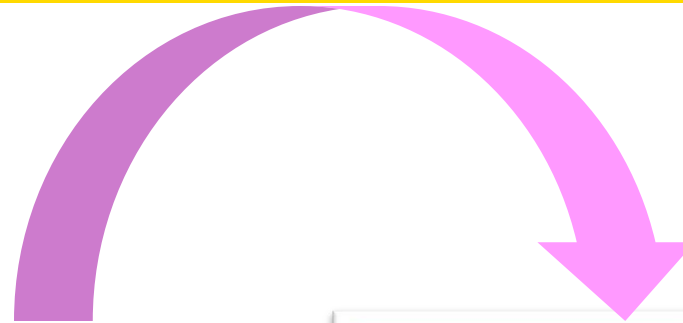
How Insurance under MWP Act works?



**Life Assured
Married Man**



**Creation of
trust for the
EXCLUSIVE
benefit of**



**Beneficiary
Wife and/or children**

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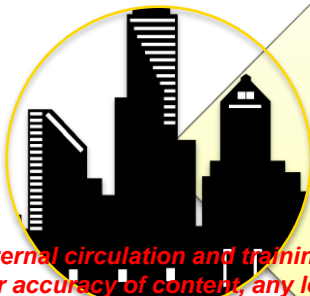
Who can be the trustee?



Any individual



Two or more persons



Any organization

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Can the policy be altered?



- Yes, with the permission of the beneficiaries
- If the beneficiary is minor, then court permission is required

Who should buy policy under MWP Act?



Professional

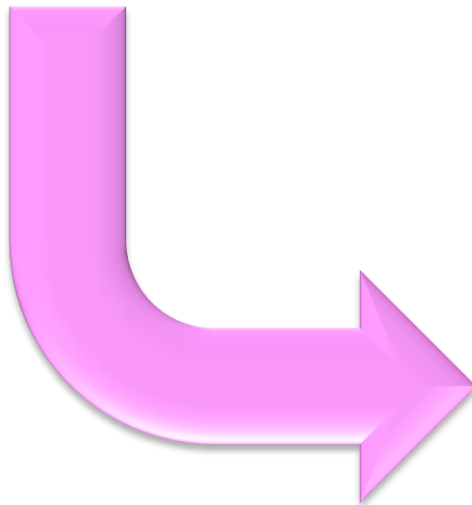
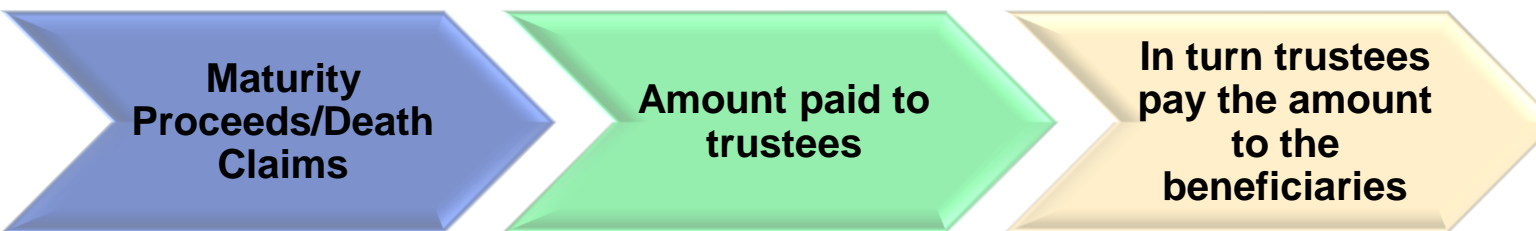
- No Professional Indemnity cover in vogue
- Risk of Legal suits imminent in the absence of Professional Indemnity
- Assets Frozen hence life style could get adversely impacted



Businessman

- Risk of Litigation
- Exposure much higher than personal net worth.
- Assets Frozen hence life style could get adversely impacted
- Risk of Working Capital getting Blocked

What happens to claims/proceeds



CANNOT BE CLAIMED BY CREDITORS OR ATTACHED BY ANY COURTS

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MWP Act – Benefits



**Creates an
ENCUMBRANCE
– FREE estate
for your family**

**Serves as
Professional
Indemnity to
meet personal
and
professional
needs**



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What's in it for you?

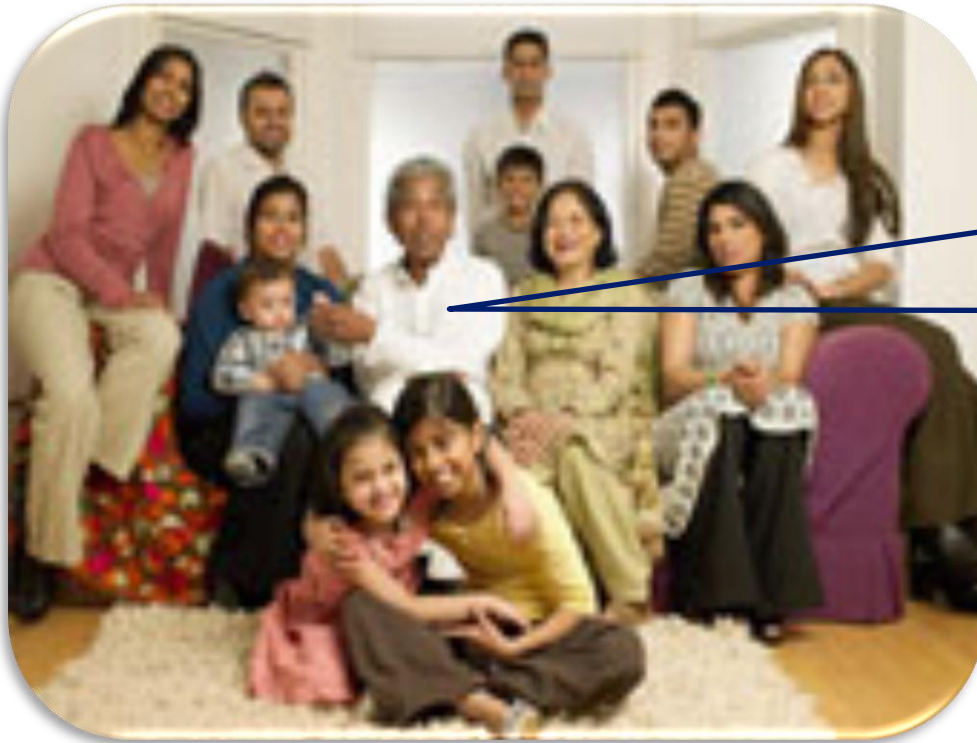


- ✓ Savings for the exclusive use of your family only ensured
- ✓ Impact of litigation on your family minimized
- ✓ Peace of mind by ensuring protection of family from the creditors



Hindu Undivided Family

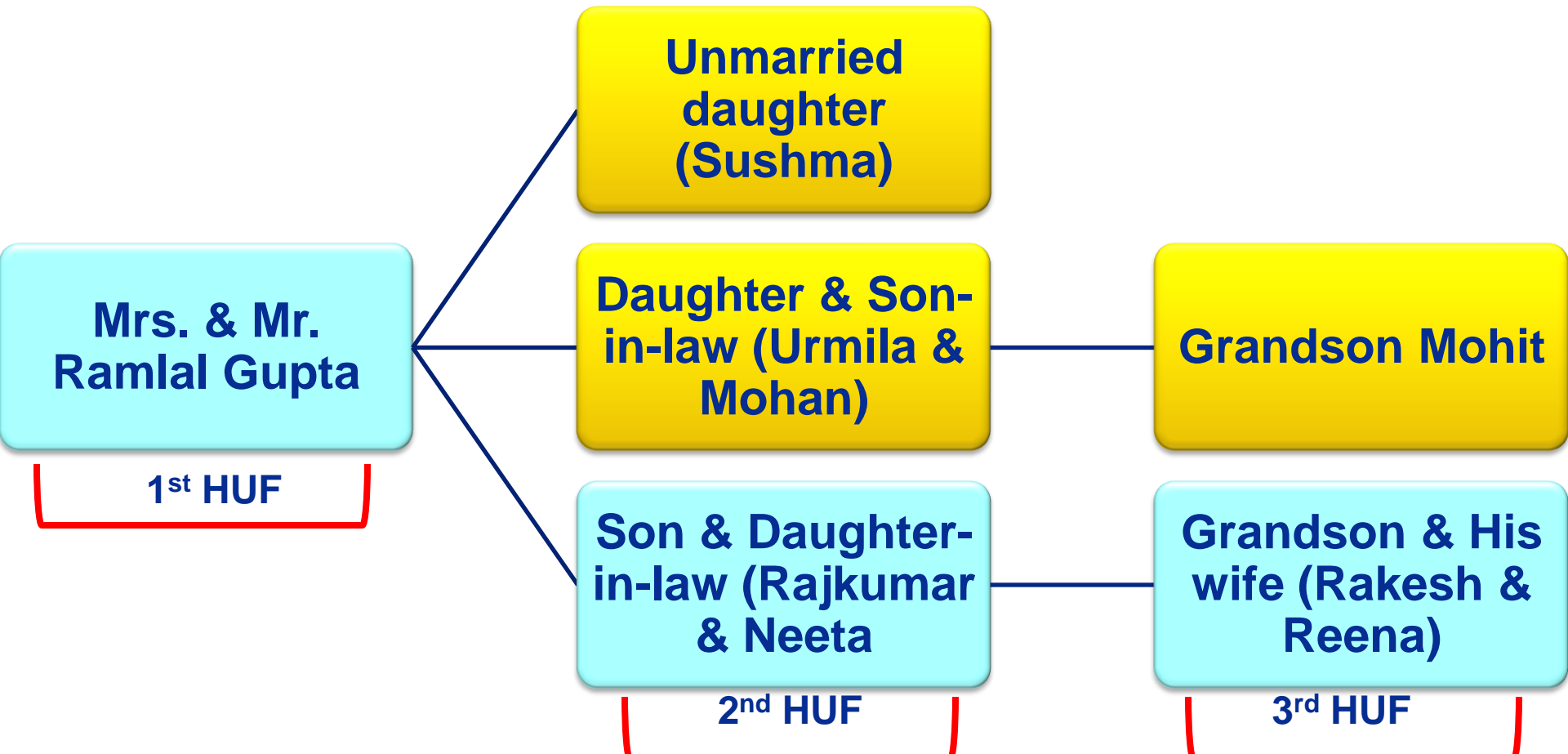
Hindu Undivided Family



HUF is defined as all persons LINEALLY DESCENDED from common ancestor, including wife & unmarried daughter

***In Maharashtra, even married daughters can be the member of HUF**

HUF Tree



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Income of HUF



Allowed

- Income from house property
- Income from Business
- Income from Capital Gains
- Income from Other Sources

Not Allowed

- Income from Salary

Tax benefits – HUF



Taxation

- HUF is considered as separate legal entity under Income Tax Act, 1961
- Taxation similar to individuals including tax rates

Taxation

- Tax benefits allowed under Sec. 80C, 80D, & 10(10D)
- When individual limits under Sec 80C is exhausted, premiums can be paid from HUF to claim maximum tax advantage

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HUF – Investment opportunities for tax saving



- Life Insurance
- ELSS

Allowed



- PPF
- NSC
- Post Office etc.

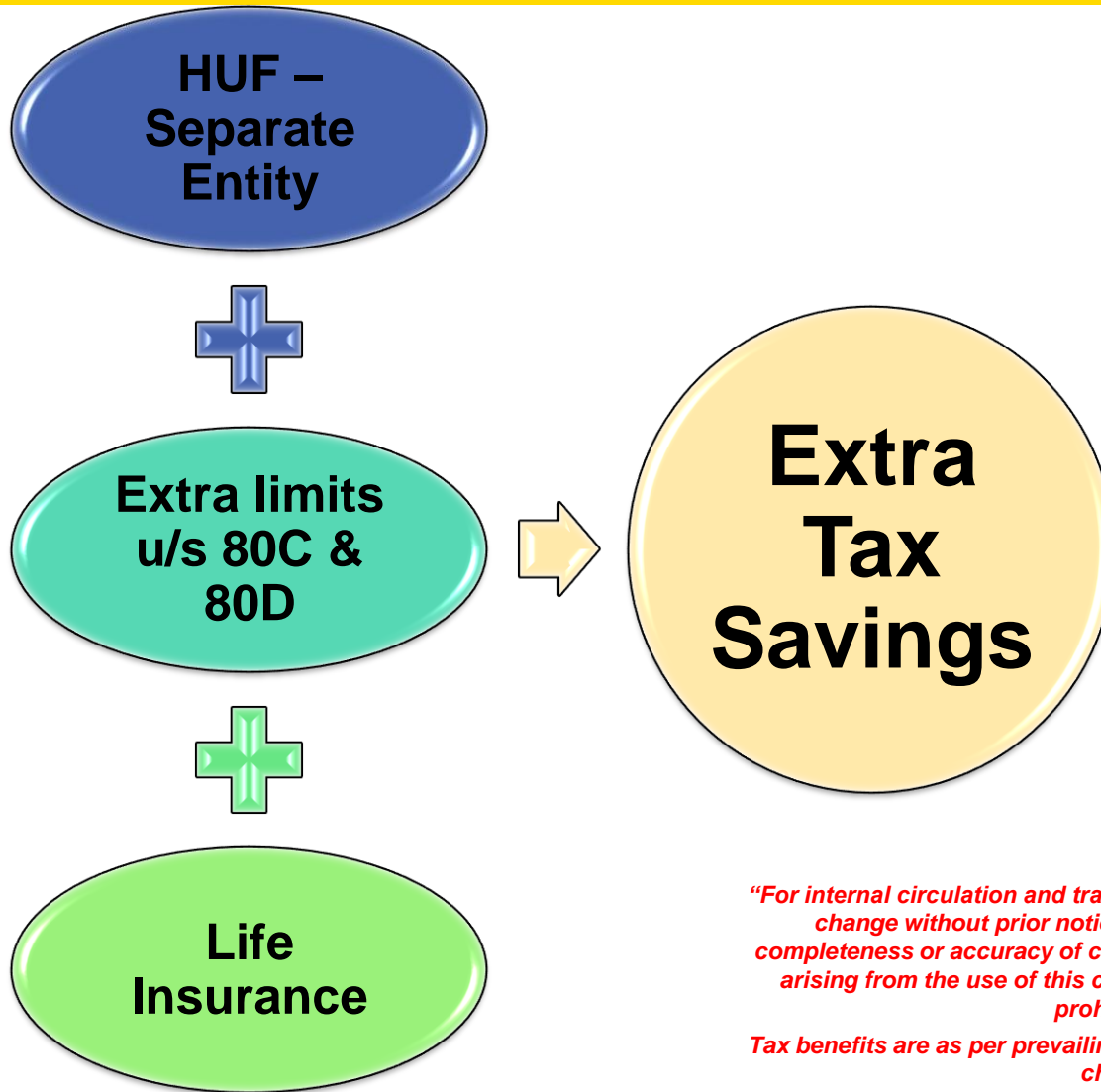
Not Allowed



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Benefit for you



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Partnership Insurance

Death of a partner – implications



The deceased partner's family may not be interested (or may not have anyone) to continue the business

The business continuity, market credibility & goodwill may be affected

The surviving partner/s may be forced to buy the deceased partner's share

What is Partnership Insurance?



Insurance taken by a partnership firm on the lives of Partners – to enable the partnership firm/remaining partners to buy the deceased partner's share



Tax implications



Premium

- Insurance premium paid by the firm is treated as business expense under Sec. 37 of Income Tax Act, 1961

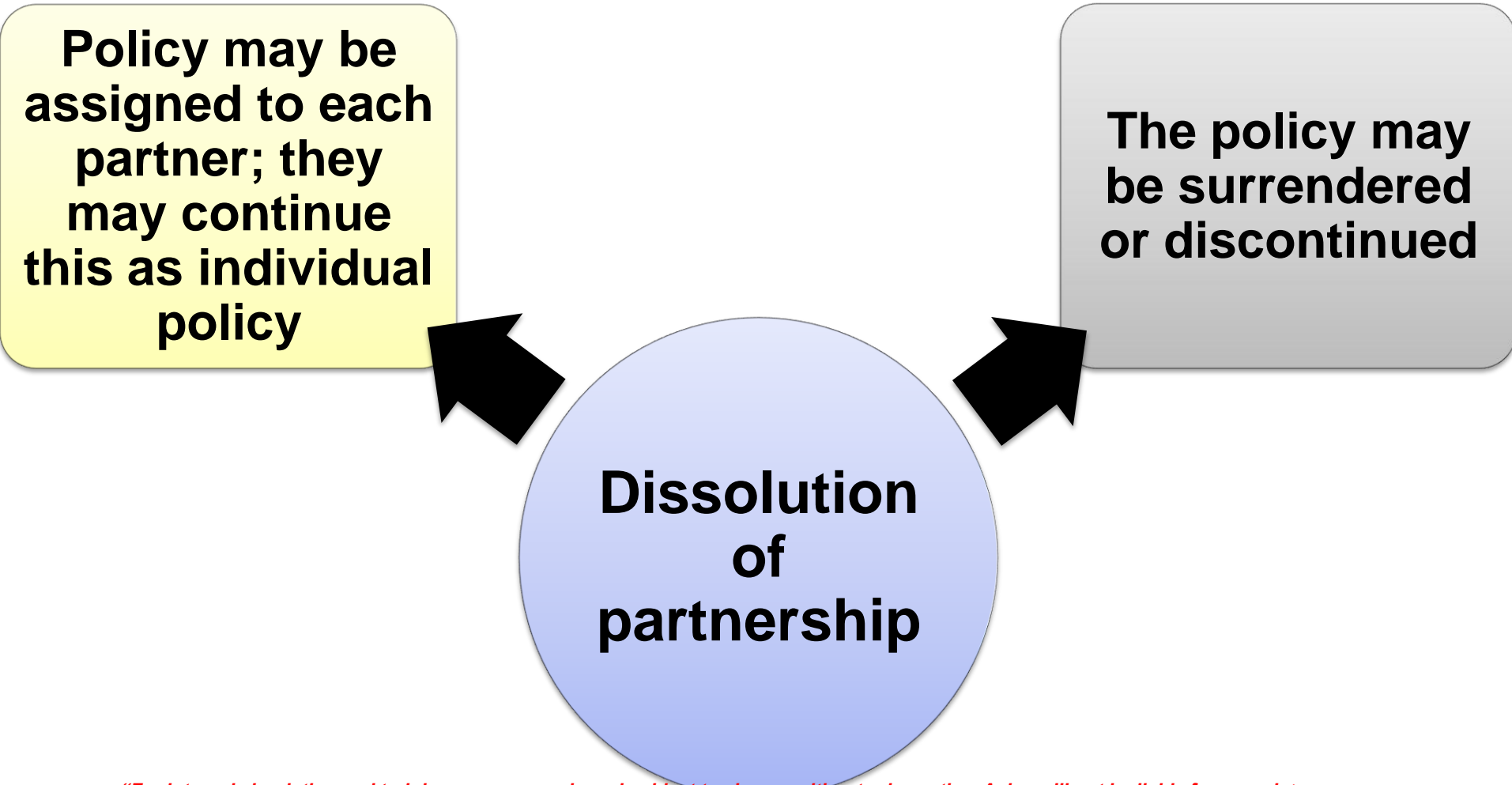
Proceeds

- Policy proceeds will be treated as income in the hands of the firm and taxed accordingly

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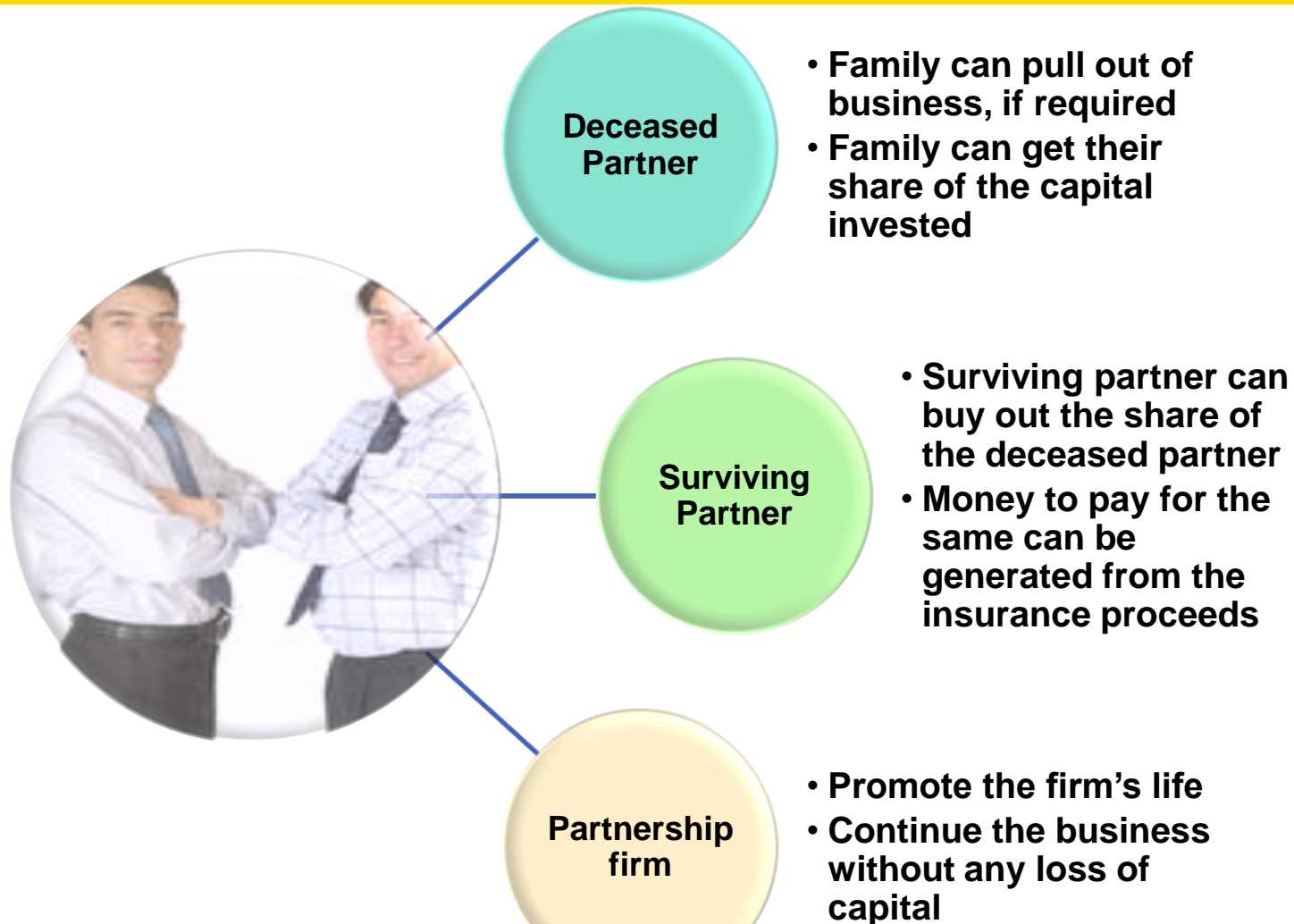
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What happens if the partnership is dissolved?



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A Win – Win situation for all





Key Person Insurance

Who is a Key Person?



Key Employee

Key Executive

Whole – time Director

Working Partner



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Death of Key Person – implications



Key Person

- **Setback in profitability (due to specialized skill he/she has or due to loss of customers' confidence in the company)**
- **Loss of stable management**

Key Person

- **Fall in credit from banks/financial institutions**
- **Possible recall of existing loans**

Key Person

- **Delay in projects & Loss of future opportunity**
- **Cost of recruiting, hiring and training a new Key Person**

What is Key Person Insurance



**Life
Insurance
taken by a
business
/firm on the
lives of key
persons**



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Why Key Person Insurance?



Key Person Insurance becomes a valuable tool to safeguard the interests of the organization against uncertainties arising out of death of the Key Person

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Tax Implications



Premium paid for Key Person Insurance is treated as business expense under Sec. 37 of Income Tax Act, 1961

The proceeds from the policy will be treated as income in the hands of the company

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What if the Key Person resigns?



The policy may be assigned to the Key Person. In this case the premiums paid by the company will be taxed in the hands of the Key Person

The Policy may be surrendered or discontinued



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Benefits



Indemnify the business against financial loss arising due to death of Key Person

Provide funds to recruit, hire & train new Key Person



Instill confidence in the stake holders vis-à-vis business continuity

Useful for retention of Key Person or Use the money to pay death benefit to Key person's family

An effective Tax-saving tool

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Why Business Insurance

Why business insurance?



Employer Employee Insurance

- Retaining an employee is cheaper than hiring & training a new one
- Employer Employee Insurance helps retain the employee & generates employee loyalty



Insurance under MWP Act

- Protect the family against creditors – minimize impact of litigation
- Generate encumbrance-free estate exclusively for the benefit of the family



HUF

- Create additional separate entity
- Get additional tax benefits



Partnership Insurance

- Promote firms life
- Continue business without loss of any capital



Key Person Insurance

- Indemnify business against financial loss caused due to death of Key Person
- Helps in business continuity and a tax-saving tool

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Thank you

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