

IGP Country Profile 2021

India

Prepared by:
Max Life Insurance *





Preface

This Country Profile has been prepared by **Max Life Insurance Company** for the International Group Program (IGP).

The International Group Program (IGP) is a network of major life insurance companies (Network Partners) operating throughout the world, who work together to meet the group insurance and pension needs of international corporations and their affiliates, branches, and subsidiaries.

Since 1967, the International Group Program has been an industry leader in the field of international benefits management, serving more multinational companies than any other network. IGP is represented in around 80 countries throughout the world and is known for the flexibility and quality of service we provide to our clients.

Working closely with our headquarters' staff in Boston and our regional offices in Brussels and Singapore, IGP Network Partners offer corporate clients the advantages of experienced local insurance management coupled with the resources of a professionally trained staff that specializes in international employee benefits.

IGP is managed by John Hancock Life Insurance Company (U.S.A.), the U.S. operation of Manulife Financial Corporation, a leading financial services group based in Toronto, Canada. Manulife offers its clients a diverse range of financial protection products and wealth management services. Both Manulife Financial and John Hancock are internationally recognized brands that have stood for financial strength and integrity for more than a century.

The information contained in the IGP Country Profiles is considered proprietary and any material extracted from a profile must be attributed to IGP.

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Your Local Link to IGP in India: Max Life Insurance Company Limited

Max Life Insurance Company Limited is a joint-venture between Max India Limited, a multi-business corporation focusing on life insurance, healthcare, and clinical research, and Mitsui Sumitomo, a leading Japanese Insurance Company with over 100 years of experience in the insurance business.

Mitsui Sumitomo Insurance is a member of MS&AD Insurance Group, currently among the leading general insurers in the world. Headquartered in Tokyo, Japan, MS&AD Insurance Group has presence in 39 markets globally and over 120 years of experience in general insurance. Mitsui Sumitomo Insurance has a high level of expertise and an extensive track record in the area of life insurance in the markets of Japan, Thailand, China, Malaysia, and Indonesia.

Max Life has a national presence, establishing a wide distribution network with over 210 offices located in more than 140 cities across India, which are staffed by over 9,000 employees and over 70,000 highly qualified life insurance agent advisors.

In 2003, Max New York Life (now Max Life) became the first life insurance company in India to receive the ISO 9001:9002 certification for its commitment to quality. All of Max Life's offices are supported by state-of-the-art technology designed to enhance its goal of providing excellent service to customers. It has also set up a Centre for Operational Excellence at its head office in Gurgaon, Haryana, just outside of New Delhi. Max Life is now also recognized as a 'Super Brand' in India.

Max Life is one of the leaders in private life insurance in India. With its flexible products and benefit solutions, Max Life is driven by a strong set of customer-focused values that form the core of its business and exemplify its slogan, "Your Partner for Life".

Max Life Insurance Company Limited has been a correspondent IGP Network Partner since 2002.

Key Products

Life

- Group Term Life (GTL) – Max Life Group Super Life Premier
- Max Life Group Super Life Premier – EDLI
- Permanent Total Disability (due to Accident) Rider*
- Accidental Death Benefit Rider
- Critical Illness Rider (Additional Benefit versions available)
- Terminal Illness Rider

Pensions

- Max Life Group Gratuity Premier

Credit Life Insurance Products

- Group Credit Life Secure Plan

Max Life Insurance Company Limited is located on the internet at:
<http://www.maxlifeinsurance.com>

Social Security Benefits and Customary Private Employee Benefits

Introduction

Social Security

India has a very basic social security system comprised of various schemes and programs that cover only a small percentage of the workforce. Most of the population works in the informal sector, i.e., agriculture, and does not have an opportunity to participate in social security programs.

However, there are statutory employee benefits controlled by legislature. There are three schemes that are supervised by the Employees' Provident Fund Organization (EPFO):

- Employees' Provident Fund Scheme (1952)
- Employees' Pension Scheme (1995)
- Employees' Deposit-Linked Insurance Scheme (1976)

Under the **Employees' Provident Fund (EPF)** and **Miscellaneous Provisions Act (EPFMP)**, employers are obligated to provide provident fund benefits.

The Employees Provident Fund and the EPFMP Act put into place the **Employees' Pension Scheme (EPS)**, effective November 1995. The EPS replaced the Employees' Family Pension Scheme (1971) and is available to every employee who is a member of the EPF.

Employees' Deposit-Linked Insurance Scheme (EDLI) is an insurance mandated by the Employees' Provident Fund Organization and is applicable to all companies registered under the Employees' Provident Fund and Miscellaneous Provisions Act of 1952. It requires employers to participate in the scheme and offer life insurance benefits to their employees. The purpose of EDLI is provide financial assistance to families in case of the death of the insured. EDLI works in combination with EPF and EPS. Members of EPFO are automatically enrolled for EDLI but are only covered for as long as they are members of EPF. An employee's heirs cannot claim a benefit if the insured is no working for a company registered with EPF.

Social Assistance is provided to poor households and older individuals who are needy.

Private Employee Benefits Practice

As part of private benefits practice in India, most employers offer Employee Provident Fund Scheme (EPFS) participation to all employees, and they may take advantage of the stipulation that allows them to establish a private provident fund outside the EPFS. Some employers also offer an improved gratuity system, which allows for amounts that are higher than the prescribed statutory minimum.

Additionally, larger companies provide pension schemes for their management personnel. These are largely on a defined contribution basis (10% - 15%). Normal retirement age is 58 or 60 (age 55 occasionally). However, retirement is allowed up to 10 years early (on a reduced pension or with the benefits deferred until normal retirement age).

In summary, the following private employee benefits practices in India are common:

- Provident Fund
- Leave and Holidays
- Long-Service Award
- Medical Coverage
- Group Personal Accident
- Group Superannuation
- Group Life Insurance
- Group Credit Shield



Social Security Benefits and Customary Private Employee Benefits

Social Security Contributions

PROGRAM	EMPLOYEE	EMPLOYER
Medical Care Benefits Employees and employers contribute up to the monthly minimum wage of INR 15,000.	1.75%	4.75%
Employee Provident Fund (Applies to companies with over 20 employees)	12% (basic + dearness allowance)	3.67%
Employees' Pension Scheme (EPS)	None	8.33%
Employees' Deposit-Linked Insurance Scheme (EDLI)	None	0.50%

LIFE BENEFITS	
Social Security Benefits	Customary Private Employee Benefits
<p>Employees' Provident Fund (EPF)</p> <p>The Employees' Provident Fund provides a superannuation pension and family pension for death in service. These plans are applicable to businesses that have at least 20 employees.</p> <p>Contributions to the Employees' Provident Fund (EPF) Scheme are obligatory for both the employer and the employee when the employee earns up to INR 15,000 per month, and voluntary, when the employee earns more than this amount.</p> <p>If the pay of any employee exceeds this amount, the contribution payable by the employer will be limited to the amount payable on the first INR 15,000 only.</p> <p>For establishments that employ less than 20 employees or meet specific conditions as notified by the EPFO, the contribution rate for both the employee and employer is limited to 10%.</p> <p>The following monthly pensions are offered:</p> <ul style="list-style-type: none"> • Pension upon superannuation or disability • Widows' pension if the employee dies while in service • Orphan's pension <p>An individual can withdraw the funds in their EPF when they reach retirement age or if they have been unemployed for more than two months. However, there are specific requirements for withdrawals due to unemployment.</p> <p>Partial withdrawals of EPF funds are allowed for medical expenses, marriage, education, repayment of a home loan, purchase of land, construction of a home, etc. However, there may be certain requirements such as years of service.</p> <p>Employees' Deposit-Linked Insurance Scheme (EDLI)</p> <p>EDLI applies to all companies registered under the Employees' Provident Fund and Miscellaneous Provisions Act of 1952. EDLI works in conjunction with EPF and EPS. Members of EPFO are automatically enrolled for EDLI but are only covered while members of EPF.</p> <p>The benefit is a lump sum of the average balance in the deceased's provident fund account in the 12 months prior to death or the entire balance in the insured's account, whichever is less. The maximum survivor's benefit is 600,000 rupees. The benefit is paid in addition to the survivor benefit paid by the provident fund.</p>	<p>Group Life Insurance</p> <p>Many multinational companies and top Indian corporations are now opting for this plan, as it offers comprehensive and robust coverage with no gaps.</p> <p><i>Key Features of Group Term Life</i></p> <ul style="list-style-type: none"> • Group size of at least 50 employees. No upper limit on membership. • In case of death due to natural or accidental causes, the sum assured is paid to the employer. • Policy is valid for one year and can be renewed annually. • Sum Insured Basis: A uniform cover, graded cover (depending upon grade/designation) and salary multiple can be provided. As per the current trend, employers normally provide 2, 3 or 4 times employees' annual salary as sum insured (Maximum benefit offered is 10 times of annual salary). • Ease of administration — one master policy for all employees. • Additional protection is available through riders for critical illness, terminal illness, accidental death benefit, permanent & total disability (due to accident), permanent & total disability (due to sickness) and accidental dismemberment. • New members can join, and current members can leave the scheme at any time with an adjustment in premium. <p>The annual premium amounts to INR 100 to INR 350 per employee (approximately, assuming most employees are below 45 years of age, and a workforce of 100 employees, with coverage of INR 100,000 for each employee).</p> <p><i>Tax Benefit</i></p> <p>Employer contribution is a tax-deductible business expense.</p> <p>Group Credit Shield</p> <p>Many multinational & Indian lending organization are now opting for Group Credit Shield, as it offers comprehensive and robust coverage to secure outstanding loans extended to customers.</p> <p>The amount of cover is the outstanding loan amount (principal plus interest) against every employee who has taken out a loan as on a predetermined date. All other features are the same as group life insurance.</p> <p><i>Tax Benefit</i></p> <p>Contribution by employer is a tax-deductible business expense.</p>

DISABILITY BENEFITS																					
Social Security Benefits	Customary Private Employee Benefits																				
<p>Disability Benefit</p> <p>The Employee's Compensation Act, 1923 requires the employer to pay compensation to employees or their families in the case of death or disability resulting from work-related injury.</p> <p>Employers are also required to pay compensation to employees working in certain high-risk occupations who have contracted diseases related to their employment.</p> <p><i>Social Insurance – Disability Pension</i></p> <p>The individual must have at least one month of contributions and be assessed as totally disabled and unable to work.</p> <p><i>Provident Fund – Disability Benefit</i></p> <p>The individual must be assessed as permanently and totally disabled and unable to work. The benefit is a lump sum of the employee and employer contributions plus accrued interest and minus any previous withdrawals.</p> <p><i>Gratuity – Disability Benefit</i></p> <p>The individual must be assessed as incapable of returning to the work that caused the injury or illness.</p> <p>The employer must pay the employee a lump sum consisting of 15 days of the employee's last daily wage for each year of continuous employment prior to the onset of the disability. A reduced benefit is paid for partial years of services exceeding six months.</p> <p>For seasonal employees, the employer pays a gratuity equal to seven days of wages for each season that the employee worked. The maximum benefit is 350,000 rupees.</p> <p><i>Indira Gandhi National Disability Pension Scheme Disability Pension</i></p> <p>Provided under the National Social Assistance Program (NSAP) to provide assistance to individuals living below the poverty line who become disabled. The individual must be age 18-79 and assessed with a disability of at least 80%. The disabled individual will receive 300 rupees per month. Individuals over the age of 80 receive 500 rupees per month.</p>	<p>Group Personal Accident</p> <p>This covers accidents, both at the workplace and outside the workplace.</p> <p>It is usually extended to employees only and does not cover dependents or families. A policy can be taken out with any of the four state-owned or private general insurance companies.</p> <p>This policy provides cover for both cost of treatment required due to accidents, as well as the loss of pay incurred by the employee due to absence from work.</p> <p>It also provides a disability benefit. An average company of about 100 employees that takes out a group policy to cover this benefit typically has a cost of INR 150 per annum per employee. Death and Total Permanent Disability benefits are typically 30-40 months of salary.</p> <p><i>Salient Features of the Policy</i></p> <p>The policy provides for payment of a certain amount, depending upon the Capital Sum Insured (CSI) for death or disablement of an insured person due to an accident. The minimum number of employees needed to avail of this scheme is 20. If the sum insured amounts to INR 100,000, the benefits are as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">a. Death only</td> <td style="text-align: right;">INR 100,000</td> </tr> <tr> <td>b. Loss of two limbs, two eyes, or one limb and one eye</td> <td style="text-align: right;">INR 100,000</td> </tr> <tr> <td>c. Loss of one limb or one eye</td> <td style="text-align: right;">INR 50,000</td> </tr> <tr> <td>d. Permanent Total Disablement from injuries other than those named above</td> <td style="text-align: right;">INR 100,000</td> </tr> <tr> <td>e. Permanent Partial Disablement – ranges from 3% to 75% of CSI</td> <td></td> </tr> <tr> <td>f. Temporary Total Disablement (TTD) – 1% of CSI up to 100 weeks not exceeding INR 3,000 per week to the limit of CSI</td> <td></td> </tr> </table> <p>For covering the benefits, the rate (per INR 1,000 sum insured) is as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">• Benefits as per (a)</td> <td style="text-align: right;">.45</td> </tr> <tr> <td>• Benefits as per (a) to (d)</td> <td style="text-align: right;">.70</td> </tr> <tr> <td>• Benefits as per (a) to (e)</td> <td style="text-align: right;">1.00</td> </tr> <tr> <td>• Benefits as per (a) to (f)</td> <td style="text-align: right;">1.50</td> </tr> </table> <p><i>Additional Benefits</i></p> <ul style="list-style-type: none"> • Expenses for carriage to transport dead body of an insured person (death due to accident only) to the place of residence, subject to a maximum of 2% of Capital Sum Insured or INR 2,500, whichever is lower. 	a. Death only	INR 100,000	b. Loss of two limbs, two eyes, or one limb and one eye	INR 100,000	c. Loss of one limb or one eye	INR 50,000	d. Permanent Total Disablement from injuries other than those named above	INR 100,000	e. Permanent Partial Disablement – ranges from 3% to 75% of CSI		f. Temporary Total Disablement (TTD) – 1% of CSI up to 100 weeks not exceeding INR 3,000 per week to the limit of CSI		• Benefits as per (a)	.45	• Benefits as per (a) to (d)	.70	• Benefits as per (a) to (e)	1.00	• Benefits as per (a) to (f)	1.50
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Social Security Benefits and Customary Private Employee Benefits

	<ul style="list-style-type: none"> • Educational grant is payable in the event of death or permanent total disablement of the insured person. <ul style="list-style-type: none"> • One dependent child below 25 years of age — 10% of Capital Sum Insured subject to maximum of INR 5,000. • More than one dependent child below 25 years of age — 10% of Capital Sum Insured subject to maximum of INR 10,000. <p>This policy does not cover death, injury or disablement resulting from:</p> <ul style="list-style-type: none"> • Self-injury, suicide, insanity, AIDS, influence of alcohol or drugs, venereal diseases • Medical or surgical expenses • Aviation other than as a passenger • Nuclear radiation • Consequence of war or revolution <p><i>Steps for Obtaining Accident Insurance Coverage</i></p> <ul style="list-style-type: none"> • Decide on amount of cover • Completion of formalities required by insurance agency • Calculation of premium amount <p><i>Tax Benefit</i></p> <p>Contribution by employer is a tax-deductible business expense.</p>
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Social Security Benefits and Customary Private Employee Benefits

SURVIVORS' BENEFITS	
Social Security Benefits	Customary Private Employee Benefits
<p>Benefits</p> <p><i>Social Insurance – Survivors' Benefit</i></p> <p>The deceased had to have made contributions for at least one month, whether he or she was employed or retired at the time of death.</p> <p>Eligible survivors include the widow(er) and up to two children younger than 25 years old. There is no age limit if a child has a permanent disability.</p> <p>If there is no widow(er) or children, the benefit can be paid to a dependent parent or a survivor named by the deceased. The pension for the widow(er) ceases if he or she remarries.</p> <p><u>Spouse's Pension:</u> 50% of the social insurance old-age or disability pension that the deceased received or was entitled to receive. The minimum monthly pension is 450 rupees.</p> <p><u>Orphans' Pension:</u> 25% of the spouse's pension; full orphans receive 75%.</p> <p><u>Other Eligible Survivors:</u> Up to 75% of the social insurance old-age or disability pension the deceased received or was entitled to receive.</p> <p>Benefits are adjusted on an annual basis.</p> <p><i>Employees Deposit-Linked Insurance Scheme – Survivors' Benefit</i></p> <p>If the fund member dies before he or she has withdrawn the balance in his or her account, these funds are paid to family members, legal heirs or beneficiaries named by the deceased.</p> <p>The benefit is a lump sum of either the average balance in the deceased's provident fund account in the 12 months prior to death or the entire balance in the insured's account, whichever is less. The maximum benefit is 600,000 rupees.</p> <p>The EDLI survivor benefit is paid in addition to the provident fund survivor benefit.</p> <p><i>Provident Fund – Survivors' Benefit</i></p> <p>If the fund member dies before he or she has withdrawn the balance in his or her provident fund account, these funds are paid to family members, legal heirs or beneficiaries named by the deceased.</p> <p>The benefit is a lump sum of total employee and employer contributions plus accrued interest (minus any withdrawals). It is paid to a survivor named by the insured or split equally among all eligible family members.</p>	<p>Benefits</p> <p>Please see Life Benefits for more information</p>

Gratuity – Survivors' Benefit

If the employee dies due to an illness or accident, the employer pays a benefit to the employee's family or other beneficiaries named by the deceased.

The employer must pay the employee a lump sum consisting of 15 days of the employee's last daily wage for each year of continuous employment prior to the onset of the disability. A reduced benefit is paid for partial years of services exceeding six months.

For seasonal employees, the employer pays a gratuity equal to seven days of wages for each season that the employee worked. The maximum benefit is 350,000 rupees.

Indira Gandhi National Widow's Pension Scheme

A benefit of 300 rupees is paid to a widow (or divorcee) aged 40 and older. The benefit is means tested. The benefit ends upon remarriage.

Social Assistance - Survivor Grant

A lump sum of 20,000 rupees is provided to needy older residents and poor households by the National Family Benefit Scheme when the primary wage earner (between the ages of 18-64) dies.

MEDICAL BENEFITS	
Social Security Benefits	Customary Private Employee Benefits
<p>Medical Coverage</p> <p><i>Legislation</i></p> <p>There are two pieces of legislation that cover medical benefits for employees:</p> <ul style="list-style-type: none"> • Employees' State Insurance Act, 1948 (ESI Act) • Workmen's Compensation Act, 1923 (WC Act) <p><i>Applicability</i></p> <p>The Government notifies all organizations in a particular geographical zone if they are covered under ESI.</p> <p>If the company is located outside the ESI zone, it would be covered under the Workmen's Compensation (WC) Act.</p> <ul style="list-style-type: none"> • <i>Employees' State Insurance Corporation (ESIC)</i> <p>India has a national healthcare, but free medical care is not provided to the entire population.</p> <p>The Employees' State Insurance (ESI) Act of 1948 established a fund to provide healthcare to employees and their dependents.</p> <p>It was originally intended to cover low income and factory workers but was later extended to companies or organizations with ten or more employees.</p> <p>If the number of employees drops below ten, the company is still subject to the regulations of ESIC.</p> <p>The Employees' State Insurance (ESI) Act is applicable to all employees whose basic salary and dearness allowance*, in total, is less than or equal to INR 21,000 per month.</p> <p>The Act specifies the number of days an employee is entitled to take as sick leave.</p> <p>For employees earning more than INR 21,000, the employer is under no legal obligation to provide medical cover.</p> <p>* "Dearness allowance" refers to all cash payments of any sort paid to an employee due to an increase in the cost of living.</p> <p><i>Benefits</i></p> <ul style="list-style-type: none"> • Cash unemployment benefits • Sickness & Maternity • Employment-related death and disability • Medical care for the employee and immediate dependents 	<p>Medical Coverage</p> <p>Although not legally required, it is an industry norm to provide medical coverage to all employees.</p> <p>Two types of cover are provided to employees not covered under the Employees' State Insurance (ESI) Act and the Workmen's Compensation (WC) Act: medical domiciliary expenses and hospitalization.</p> <p><i>Medical Domiciliary Expenses</i></p> <p>Medical domiciliary expenses are day-to-day medical expenses, such as the treatment of minor ailments, doctor's visits and the purchase of over-the-counter drugs, which are reimbursed up to a fixed amount, usually INR 15,000 per year.</p> <p>The cost of the plan is usually included in the total salary paid to the employee, because premiums for medical insurance are tax-free up to a limit of INR 15,000.</p> <p>Coverage may be extended to an employee and his or her immediate family (spouse, up to two children, all dependent children and sometimes dependent parents).</p> <p><i>Hospitalization Expenses</i></p> <p>It is industry practice for organizations to bear all of the expenses incurred for the hospitalization of employees. Most employers provide cover for hospitalization via a group health insurance policy.</p> <p>The annual premium amounts to approximately INR 1,200 - INR 1,500 per employee (assuming most employees are below 45 years of age, and the group consists of a workforce of 100 employees with coverage up to INR 100,000 for each employee).</p> <p>Some organizations also cover dependents under this policy. In that case, the cost could rise to INR 5,000 - INR 7,000 per annum per employee.</p> <p>The cover is applicable for all cases that require a hospitalization of 24 hours or more.</p> <p>When a claim becomes admissible, the company will pay to the insured person the amount of such expenses incurred during the hospitalization stay only, and not exceeding the sum insured in aggregate in any one period.</p>

- *The Workmen's Compensation Act*

The Workmen's Compensation Act is applicable to employees earning from INR 137 a day up to INR 21,000 (INR 25,000 if disabled) and working in a company or factory with 10 or more employees (20 employees in some industries).

The Act requires employers to provide wage replacement and medical benefits to employees and their dependents in the event of injury or accident (including certain occupational diseases) arising out of or during employment.

Worker's compensation benefits and the unemployment allowance are financed from contributions made for Sickness and Maternity Benefits by employers and employees. Employees earning less than INR 137 a day are exempt from having to pay contributions. The Government finances medical benefits related to work injury and medical benefits for the unemployed and their dependents.

Medical benefits include: hospital and surgery, outpatient treatment, specialist care, imaging and labs, medicine, prosthetics and medical appliances.

Tax Benefit

The entire contribution by the employer is treated as a tax-deductible business expense.

Maternity Benefits

The Maternity Benefit Act (1961) governs the employment of women during maternity and provides them with a period of paid leave from work to take of their newborn or adopted children. The provisions of the Act are applicable to companies and organizations that have 10 or more employees.

Women employees are eligible for the maternity benefits as specified under the Act, provided they have worked for the employer for at least 80 days in the previous 12 months.

The Maternity Benefit Act was amended in 2017 as follows:

- The paid maternity leave was increased from 12 weeks to 26 weeks. Women can take the first 8 weeks before the expected delivery date and the remaining 18 weeks after the birth.
- For women who are expecting after already having two children, the benefit is 12 weeks (6 weeks before delivery and 6 weeks after).
- Women who adopt a child are entitled to 12 weeks of maternity leave, starting from the date of adoption.
- A provision was introduced whereby women can work from home after the 26 weeks have expired upon

Hospitalization Benefits Not Covered:

- Expenses incurred for pre- and post-hospitalization treatment.
- Expenses incurred for treatment of any pre-existing ailments such as: asthma, bronchitis, chronic nephritis, nephritis syndrome, diarrhea, diabetes mellitus and insipidus, epilepsy, hypertension, influenza, cough, cold, all psychiatric and psychosomatic disorders, pyrexia of unknown origin for less than 10 days, tonsillitis, laryngitis, pharyngitis, arthritis, gout and rheumatism.

Age Limit

Medical insurance is available to persons between the ages of 5-75. Children between the ages of three months and five years can be covered, provided one or both parents is covered concurrently.

Maternity Benefits

Maternity benefits can be provided under a group insurance policy, but there may be certain stipulations as to how many employees must be part of the group. All pregnancy-related hospitalization costs would be covered, including surgery, pre- and post-natal care, and treatment of any complications arising due to the pregnancy.

Steps for Obtaining Medical Insurance Coverage:

- Decide on amount of cover
- Calculation of premium amount
- Completion of formalities required by insurance agency

Tax Benefit

Contribution by employer is a tax-deductible business expense.

agreement with the employer and based on their job responsibilities.

- Companies with 50 or more employees are required to set up a “crèche facility” that female employees can visit up to four times a day.
- Employers are required to educate all female employees regarding the maternity benefits available to them at the commencement of employment.

An additional month is provided if the employee becomes sick due to confinement, premature birth of child or miscarriage.

The benefit is equal to the woman’s average daily wage (average of daily wages paid during the three months immediately preceding the date on which she is absent due to maternity).

RETIREMENT BENEFITS	
Social Security Benefits	Customary Private Employee Benefits
<p>Provident Fund</p> <p>This is a statutory retirement scheme regulated by labor legislation known as the Employees’ Provident Funds (EPF) and Miscellaneous Provisions Act (EPFMP) of 1952. It requires that a compulsory fund be set up to provide for the retirement of an employee or for his or her dependents in case of early death.</p> <p>This Act provided for the establishment of provident funds, pension funds and deposit-linked insurance funds for employees (originally working in factories).</p> <p>The purpose of the Employees’ Provident Fund (EPF) is to promote savings for retirement. The funds in an employee’s EPF account can also be withdrawn upon resignation or death.</p> <p>Under the Act, the Employees’ Provident Fund Organization (EPFO) manages the following three schemes:</p> <ul style="list-style-type: none"> • The Employees’ Provident Fund Scheme (1952) • The Employees’ Pension Scheme (1995) • The Employees’ Deposit Linked Insurance Scheme (1976) <p>Schemes under EPFO apply to businesses with at least 20 employees.</p> <p>Participating employees are eligible for the provident fund, pension and insurance benefits provided under the Act.</p> <p>The following monthly pensions are provided:</p> <ul style="list-style-type: none"> • Old-age pension • Disability pension • Widow’s pension (death in service) • Orphan’s pension <p><i>Contributions</i></p> <p>The Provident Fund Scheme is funded by both employee and employer contributions. Schemes under EPFO apply to businesses with at least 20 employees.</p> <p><i>Financing Vehicle</i></p> <p>There are two ways to manage the fund:</p> <ul style="list-style-type: none"> • Regional Provident Fund Commissioner: <p>This is a government body regulated by the Provident Fund Commissioner. The advantage of this type of fund is that there is no administrative responsibility for the company. However, it is extremely difficult to liaise with Government officials</p>	<p>Gratuity</p> <p>The Payment of Gratuity Act of 1972 is a statutory and compulsory retirement benefit that requires that a gratuity benefit must be provided to employees in factories, mines, oil fields, plantations, ports, railways or in companies with at least 10 workers. The employee must have a minimum of five years of service.</p> <p>The employer contributes 4% (average) of monthly payroll</p> <p>The benefit is a lump sum payment of 15 days’ wages for each year of service payable to either the employee or if the employee is deceased or disabled, his or her heir.</p> <p>Gratuity payments are exempt from tax provided that the amount does not exceed the 15 days’ salary per year of service (based on the last paid salary) up to a maximum amount. Employers can increase the amount of the gratuity, but that voluntary amount is taxable.</p> <p><i>Funding Mechanism</i></p> <p>Gratuity schemes are employer-funded, with contributions based on actuarial valuations. A Trust needs to be set up to manage the funds. The Trust may invest the funds on its own or outsource the management of the fund to an external agency and work on a “pay-as-you-go” basis.</p> <p><i>Financing Vehicle</i></p> <p>Every employer may obtain insurance for its liability to pay the gratuity from a life insurance company when the number of employees exceeds 20. Premium has to be paid to the insurer; failing which, the employer will be liable to pay the whole amount of gratuity from its funds.</p> <p>Under the insurance scheme, a sum equal to the gratuity payable in respect of the entire service is paid in the event of pre-mature death.</p> <p>The insurance company also obtains the required clearances from the Income Tax Department. It is common industry practice to take a policy out and remit annual contributions for this policy.</p> <p><i>Steps for Setting up a Gratuity Fund:</i></p> <ul style="list-style-type: none"> • Finalizing the terms of the Gratuity Scheme • Drafting of Deed and Rules • Application to the Commissioner of Income Tax for requisite approvals • Calculation of the premium to be paid • Completion of documentation required by life insurance company

on issues connected to settlements, loans, and withdrawals.

- **Recognized Provident Fund Trust:**

A majority of companies have set up their own Provident Fund trust in order to help employees access their funds more easily.

This type of fund encompasses obtaining an approval from the Income Tax Department, passing a Board Resolution for implementing the same, and formulating a Trust Deed and Rules based on statutory guidelines.

Administration of the fund is also necessary, which would take into account maintaining records and investing the funds in specified securities. Large companies have specific employees who are assigned to such responsibilities. Smaller companies can outsource administration to reputable organizations.

Excluded Provident Fund (PF) Trust

A number of companies that fall outside the purview of the Provident Fund Act are setting up Provident Fund Trusts. These follow the same procedure of formation, except that the permission of the Provident Fund Commissioner is not necessary.

However, sanction from Income Tax Authorities needs to be obtained. The excluded Provident Fund Trust also ensures that the contributions are easy to withdraw upon separation or for other purposes as defined.

Steps for Setting up a Provident Fund (PF) Trust:

- Board resolution to be undertaken
- Formulation of Trust Deed and Rules
- Application to Income Tax authorities for granting exemption
- Submission of list of employees and contributions

Benefits:

- Retirement Benefit
- On retirement, employees receive the accumulated sums, along with interest in their respective fund account.
- In-service withdrawals
- Partial amounts can be withdrawn for paying premiums of insurance policies, for purchasing or remodeling a house, for an illness, for the education of children or children's marriage.
- A member can withdraw the full amount at the time of retirement, discharge, or when leaving a particular place of employment.
- Under the Family Pension Fund Scheme, the amounts are payable only in the case of death, retirement, or disability.

Benefit

On termination of employment, the employee receives 15 days' wages for every completed year of service, subject to a maximum of 120 lakh. Amounts greater than the above are taxable.

Gratuity also provides for a death benefit (while in service) to the employee.

Vesting

Gratuity has a vesting period of five years, i.e., an employee becomes eligible to receive gratuity only on completion of five years of continuous service with an employer.

Tax Benefit

Most companies provide the Gratuity scheme to their employees as this benefit is tax-friendly. The entire contribution by the employer is treated as a tax-deductible business expense.

Group Superannuation

Superannuation in India is not a mandatory benefit to be extended to employees. However, it is common private benefits practice to institute a superannuation program as a part of employee compensation. This superannuation benefit is given to employees over and above the statutory Provident Fund, which is also a retirement benefit.

Eligibility

Organizations that have a superannuation program extend this benefit to all employees in the supervisory and managerial cadre. Employees are NOT given an option to join — it is usually mandatory if the organization has instituted a scheme.

Funding Mechanism

- Defined Contribution
- Superannuation schemes in India are typically only funded by employer contributions. However, there are organizations that have employee contributions also.

Financing Vehicle

An employer has two alternatives under the Income Tax Act, 1962:

A trust needs to be set up, and the funds are to be remitted to this trust. The management of the money may be handled by the trust or outsourced to an investment manager. However, funds can only be invested in approved securities and instruments.

An actuarial evaluation is done every year to arrive at the company liability. When a member retires, an annuity can be purchased from an insurer to provide a pension for the retiring member.

- Under the Act (EPFMP), an employer must contribute towards an employee's life insurance if the employer does not have a group plan.

Vesting

The amounts in the Provident Fund account are immediately vested.

Tax Benefit

Almost all companies provide the Provident Fund scheme to their employees, as this represents a savings that is also tax-friendly for employees. All contributions made by the employer are treated as a tax-deductible business expense.

Indira Gandhi National Pension Scheme – Old Age Pension

A means-tested basic pension of 200 rupees a month is provided to needy individuals aged 60 to 79. Individuals over the age of 80 receive 500 rupees per month.

Company Managed Superannuation Fund

If an organization wants to manage the fund on its own, it will have to follow the procedure as given above, except the last point. However, the funds have to be invested as outlined below:

- In Central Government securities: 25%
- In other Government securities as prescribed: 15%
- In bonds/securities of a public financial institution/public sector company/public sector bank/certificate of deposits of public sector banks: 40%
- In any of the above three categories: 20%

When a member becomes eligible for a pension, the company will have to purchase policies from a life insurance company in order to provide the member with a pension, so that any benefits, as laid down in the rules of the Trust, will become due to him or her. The benefits are as outlined by the life insurance company managed fund.

Private Pension Scheme

Companies, who have less than ten employees on the payroll cannot take up the superannuation scheme through a life insurance company. They will have to establish a private pension scheme.

A large majority of organizations appoint a life insurance company, approved by the regulator, as the investment manager.

Companies prefer this option in order to cut down on administrative costs, and also, because they do not have to deal with getting the requisite approvals from the Commissioner of Income Tax in order to manage the fund on their own.

Steps for Setting up the Superannuation Scheme:

- The employer has to appoint a minimum of two trustees for administering the scheme, draft the trust deed and rules in consultation with a life insurance company, and execute the deed to establish the trust.
- Get the resolution passed by the board of the company.
- Make an application to the Commissioner of Income Tax for approval under the Income Tax Act.
- Calculate the premium to be paid.
- Forward to the life insurance company the proposal form signed by the trustees/employees with proof of age, copies of the trust deed and rules, and a check towards payment of contribution. In the case of a company-managed scheme, this is not done.

Benefits

Under the superannuation scheme provided by life insurance companies, the employer contributes a certain fixed percentage.

By law, an employer can contribute to the superannuation fund to the extent of 27% of annual salary less contribution to the Provident Fund. Provident Fund contributions are fixed at 12%.

Hence, a balance of 15% can be put into superannuation. These contributions are accumulated by the insurer and earn interest. The rate of interest varies from 6% to 11%, depending on the fund size.

The accumulated amount is utilized to provide various benefits, such as:

Retirement

One-third of the total amount (contribution plus interest) is given as a lump sum payment, which is tax-free, and the remainder provides for the subsequent monthly pension.

Types of Pensions Payable:

- Life pension with guaranteed payments for 5, 10 or 15 years:
Pension is payable for the requisite number of years and will continue to be paid for the remainder of one's life. In the event of a member's death, the pension will be paid to his or her beneficiary for the remainder of the guaranteed period.
- Pension ceasing at death without any guaranteed payments:
Joint life pension for member and spouse; life pension with return of capital on the member's death; joint life pension for member and spouse with return of capital.

Death

The benefit is paid to the beneficiary as per the option he or she selected. If the company has taken a group insurance scheme in conjunction with the superannuation scheme, a lump sum is payable to the beneficiary.

Withdrawal

The scheme can be transferred to the new employer if both schemes are the same. The employee can opt for a pension from the normal retirement date, as provided in the old employer's scheme. An employee may opt for payment of commuted value and pension, in which case, the benefits would be taxable immediately.

Group life insurance in conjunction with the group superannuation scheme can be taken out by an organization to provide for a sizeable lump sum payment upon death of a member while in service, at a very nominal cost.

Advantages of a Superannuation Fund Managed by a Life Insurance Company:

- An attractive yield on the fund gets credited to Fund A/C.
- Free actuarial valuations of the funds administered from time to time.

	<ul style="list-style-type: none">• The administration of the fund is carried out by an insurance company in a scientific manner, and claims are promptly settled. <p>Group insurance in conjunction with the group superannuation scheme can be taken out by an organization to provide for a sizeable lump sum payment on death of a member, while in service, at a very nominal cost.</p> <p><i>Tax Benefits</i></p> <p>The following are tax-exempt:</p> <ul style="list-style-type: none">• Annual contribution is treated as a deductible business expense• 80% of the contribution towards past service liability• Employee's contribution if any• Employer's contribution is not taxable to the employee• Interest on the fund benefits payable on death• Lump sum payment on retirement
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Social Security Benefits and Customary Private Employee Benefits

Bonus

The Payment of Bonus Act of 1965 (amended in 2015) provides that every person in India employed in a factory or applicable establishment that has a minimum of 20 employees is eligible for a bonus based on the profit of the employer. If the number of employees falls below 20, the employer must continue to pay the bonus.

The bonus is applicable from the day the organization is incorporated. Employees earning a basic salary and dearness allowance of less than or equal to INR 21,000 per month and who have worked for the employer for not less than 30 working days in the particular year are eligible.

Benefit

All eligible employees must be paid a minimum of 8.33% of their salary as a bonus, up to a maximum of INR 7,000 per month or the government-mandated minimum wage for their particular industry, whichever is higher. Different minimum wages may be applicable depending on the state.

If an employee's salary is greater than INR 7,000, for the purpose of calculating the bonus, INR 7,000 will be used.

If the employer wishes to pay more than the required sum, the excess amount shall be treated as an ex-gratia payment. The minimum amount is payable to eligible employees, regardless of their performance and the organization's performance.

Leave and Holidays

Leaves and holidays are regulated by the following four provisions:

- The Shops and Establishments Act
- The National Festivals and Holidays Act
- The Maternity Benefit Act
- The Employees' State Insurance Act

The Shops and Establishments Act

The Shops and Establishments Act has been enacted in every state in India to regulate the conditions of work and to provide statutory obligations for employers and establish rights for employees.

This Act is applicable to all establishments that are not covered under the definition of "factory" under the Factories Act.

The Shops and Establishments Act stipulates the following:

- Working hours per day and week
- Guidelines for opening and closing hours, rest periods, closed days, national and religious holidays and overtime.
- Rules for employment of children, young people and women.
- Rules for annual leave, maternity leave, sickness and casual leave.
- Maintenance of records, registers and display of notices.

Eligibility

All employees are covered under this Act.

Benefit

Leave accrues to employees at the rate of one day for every twenty days worked in the year.



Social Security Benefits and Customary Private Employee Benefits

The National Festivals and Holidays Act

This Act is applicable to all organizations in the country, irrespective of the type of business.

Eligibility

All employees are eligible for the benefits specified under the Act.

Benefits

Three days annually (January 26, August 15, and October 2) are declared as national holidays. All establishments are required to suspend business operations on these three days.

The Government also gives the employer the option of choosing 6-8 (depending on the geographical location) other days as festival holidays, based on a list of 20 days. The employer needs to declare these days as holidays for the establishment.

Working Hours and Overtime

The Shops and Establishment Act stipulates the conditions for working hours and overtime for all establishments that are not considered as manufacturing facilities or “factories” as defined under the Factories Act.

This is applicable to all organizations other than manufacturing facilities.

Eligibility

All employees are covered under this Act.

Working Hours

The Act stipulates that the specified working hours in any organization shall not be more than 9 hours per day.

A minimum lunch break of 30 minutes after 5 hours of work needs to be specified by the organization.

The Act states that the maximum hours that an employee can work is 48 hours in a week.

Overtime Benefits

The Act specifies that employees working in excess of 9 hours per day and in excess of 48 hours per week are entitled to overtime pay.

Employees working on declared holidays and weekly holidays are entitled to a compensatory day off and overtime pay.

Overtime pay is set at a rate of twice the basic pay of the employee.

Tax Considerations:

Type of Insurance	Contributions	Benefits
Statutory: Provident Fund Scheme	<p>The Provident Fund Scheme is funded by both employee and employer contributions.</p> <p><i>Employer:</i> All contributions made by the employer are treated as a tax-deductible business expense.</p> <p><i>Employee:</i> Employee contribution is not treated as income.</p>	Accumulated benefit is paid tax free
Statutory: Gratuity Scheme	<p><i>Employer:</i> The entire contribution by the employer is treated as a tax-deductible business expense.</p> <p>The contribution made by the employer is not a taxable perquisite in the hands of the employees.</p>	<p>Gratuity payments are exempt from tax provided that the amount does not exceed the 15 days' salary per year of service (based on the last paid salary) up to a maximum amount.</p> <p>Employers can increase the amount of the gratuity, but that voluntary amount is taxable.</p>
Statutory: Medical Coverage	<p><i>Employer:</i> Contribution by the employer is treated as a tax-deductible business expense.</p>	
Private Employee Benefit: Medical Coverage	<p><i>Employer:</i> Contribution by the employer is treated as a tax-deductible business expense.</p>	
Private Employee Benefit: Group Personal Accident	<p><i>Employer:</i> Contribution by the employer is treated as a tax-deductible business expense</p>	
Private Employee Benefit: Group Superannuation	<p>The following are tax-exempt:</p> <p><i>Employer:</i></p> <ul style="list-style-type: none"> • Employer's annual contribution is treated as a deductible business expense • 80% of the contribution towards past service liability <p><i>Employee:</i></p> <ul style="list-style-type: none"> • Employee's contribution if any • Employer's contribution is not taxable to the employee 	<ul style="list-style-type: none"> • Interest on the fund benefits payable on death • Lump sum payment on retirement

Taxation

Type of Insurance	Contributions	Benefits
Private Employee Benefit: Group Life Insurance	<i>Employer:</i> Contribution by the employer is treated as a tax-deductible business expense	Death benefit is not subject to tax in the hands of the beneficiary
Private Employee Benefit: Group Credit Shield	<i>Employer:</i> Contribution by the employer is treated as a tax-deductible business expense	



Sample Employee Benefit Plans

By Type of Industry

Schedule of Insurance	Trading	Agriculture	Communication
Group Term Life	24 MS	36 MS	36 MS
Accidental Death Benefit Rider	24 MS	36 MS	36 MS
Permanent Total Disability Rider	24 MS	36 MS	36 MS
Accidental Dismemberment Rider	24 MS	36 MS	36 MS
Critical Illness Rider	24 MS	36 MS	36 MS

Schedule of Insurance	Trading	Agriculture	Communication
Group Term Life	24 MS	24 MS	36 MS
Accidental Death Benefit Rider	24 MS	24 MS	36 MS
Permanent Total Disability Rider	24 MS	24 MS	36 MS
Accidental Dismemberment Rider	24 MS	24 MS	36 MS
Critical Illness Rider	24 MS	24 MS	36 MS

All Riders will have upper caps beyond which, covers are not offered.

MS = Monthly Salary

By Size of Group Covered

Schedule of Insurance	50 Employees		100 Employees			
	50 Employees	75 Employees	850,000	350,000	150,000	50,000
Group Term Life	36 MS	24 MS	850,000	350,000	150,000	50,000
Accidental Death Benefit Rider	36 MS	24 MS	850,000	350,000	150,000	50,000
Total Permanent Disability Rider	36 MS	24 MS	850,000	350,000	150,000	50,000
Accidental Dismemberment Rider	36 MS	24 MS	850,000	350,000	150,000	50,000
Critical Illness Rider	36 MS	24 MS	850,000	350,000	150,000	50,000

Schedule of Insurance	500 Employees	1,000 Employees
Group Term Life	2.5 annual salary	24 MS
Accidental Death Benefit Rider	2.5 annual salary	24 MS
Total Permanent Disability Rider	2.5 annual salary	24 MS
Accidental Dismemberment Rider	2.5 annual salary	24 MS
Critical Illness Rider	2.5 annual salary	24 MS

All Riders will have upper caps beyond which, covers are not offered.

Please Note:

Premium for riders (excluding critical illness rider) should not exceed 30% of the premium amount for basic life. For example: If premium for basic life cover is INR 100, the premium towards riders cannot be more than INR 30. Number of rider options or sum insured for each rider will then have to be adjusted to accommodate coverage with the cap of INR 30 in the example above.

MS = Monthly Salary

Useful Links

Ministry of Labour and Employment	http://www.labour.nic.in
Ministry of Health and Family Welfare	http://www.mohfw.nic.in
Employees' State Insurance Corporation	http://www.esic.nic.in
Demographic Information The CIA World Factbook	CIA World Factbook https://www.cia.gov/the-world-factbook/
Macro-Economic Indicators The CIA World Factbook	CIA World Factbook https://www.cia.gov/the-world-factbook/
For more information about MAX Life Insurance Company , visit:	http://www.maxlifeinsurance.com



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