

Death in Service Insurance

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Death in service insurance, also known as group life insurance or employer-sponsored life insurance, is a type of life insurance policy provided by an employer to its employees as part of their employee benefits package. It is designed to provide financial protection to the employees' families or dependents in the event of the employee's death while they are employed with the company.

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Death in service insurance is a valuable benefit provided by employers to support their employees' families in times of tragedy. It offers financial security and peace of mind to employees, knowing that their loved ones will receive financial assistance if they pass away while employed with the company. Additionally, it serves as an attractive employee benefit, helping companies attract and retain talent by demonstrating a commitment to the well-being of their workforce.

Key Considerations

Coverage and Eligibility: the employer purchases a group life insurance policy that covers all eligible employees. Typically, full-time employees are automatically enrolled in the plan, and the coverage may be available up to a certain age or until the employee retires.

Death Benefit: in the unfortunate event of an employee's death while employed with the company, the group life insurance policy pays out a death benefit, which is a tax-free lump sum. This benefit is paid to the designated beneficiary or beneficiaries, usually the employee's family or dependents.

Benefit Amount: the death benefit amount is usually based on a multiple of the employee's salary (e.g., 2x, 3x, or more) and this can be determined as part of your employment policies. You can offer employees the opportunity to purchase additional levels of cover.

Premiums: The premiums for death in service insurance are typically paid by the employer. As it is a group policy covering multiple employees, the premiums are often more cost-effective compared to individual life insurance policies.

Benefits for Employees:

Financial Protection for Families: the primary benefit of death in service insurance is providing financial security to employees' families or dependents in the event of the employee's death. The death benefit, which is usually a tax-free lump sum, helps the family cope with immediate expenses, such as funeral costs and outstanding debts.

No Medical Underwriting: group life insurance policies typically do not require individual medical underwriting. This means employees do not have to undergo medical exams or provide detailed health information to enrol in the plan, making it accessible to a broader group of employees. This is sometimes also known as a 'free cover level' which is essentially the amount of cover that each individual scheme member can have before any medical evidence (underwriting) is required.

Automatic Enrolment: employees are usually automatically enrolled in the death in service insurance plan, eliminating the need for them to sign up individually. This streamlines the process and ensures that most employees have coverage.

Cost-Effective Coverage: death in service insurance premiums are typically paid by the employer. Since it is a group policy covering multiple employees, the cost per employee is often lower compared to purchasing individual life insurance coverage.

Enhanced Employee Loyalty: offering death in service insurance as an employee benefit can enhance employee loyalty and job satisfaction. It demonstrates the employer cares about the welfare of their employees and their families.

Quick Payout: in the event of the employee's death, the death benefit is usually paid out relatively quickly, providing immediate financial support to the family during a difficult time.

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Benefits for Employers:

Employee Attraction and Retention: death in service insurance is an attractive benefit for employees, particularly for those with families or dependents. It can help employers attract and retain talented individuals.

Positive Employer Brand: offering death in service insurance demonstrates that the employer is socially responsible and cares about the well-being of its workforce, contributing to positive employer branding.

Improved Employee Morale: knowing that their families will receive financial support in case of their untimely death can improve employee morale and job satisfaction.

Tax Benefits: premiums may be tax-deductible as a business expense.

Financial Peace of Mind: By providing this benefit, employers help alleviate the financial concerns of their employees, allowing them to focus on their work with reduced stress.

Employee Assistance during Grieving: death in service insurance can provide emotional support to the employee's family during a difficult time, knowing that the employer is providing financial assistance.

Overall, death in service insurance is a valuable employee benefit that provides financial security to employees' families and enhances the overall well-being of the workforce. It fosters a positive work environment and demonstrates the employer's commitment to their employees' welfare.

As with any insurance policy, it is important to consider specific terms and conditions in line with your company overall employee benefits package.

