

Group Insurance Scheme in Lieu Of EDLI

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EDLI – Definition

Employee's Deposit Linked Insurance Scheme, 1976 is to provide for the benefit of Life insurance to all their employees, under EPF & MP Act, 1952. It is the employer's statutory liability.

The Insurance benefit is minimum Rs.2.5 lakhs and maximum is Rs.6.00 lakhs (where the Government is proposing to enhance it to 7 lakhs).

The contribution @ 0.50% of each employee's salary is payable by the Employer to the Provident Fund Authorities.

THE BETTER ALTERNATIVE:

However, under Sec. 17(2A) of the act, the employer may be exempted from contributing to this scheme, if he/she has provided for better insurance benefits through alternative scheme. Many IRDA approved Insurance companies including LIC, the Government owned Insurer, are providing Group Insurance Scheme in lieu of EDLI has been accepted as one such better alternative.

ADVANTAGES TO THE EMPLOYER:

The premium payable by the employer is usually less than the total contribution being paid by the employer to R.P.F.C; particularly when the salary level is high and average age of the group is low.

Settlement of claim is quicker; Insurer only requires the death certificate and the Claim Form from the employer. Premium paid by the employer is treated as normal business expenses for Income-Tax purpose.

ADVANTAGES TO THE EMPLOYEE:

Where the EDLI is opted through EPFO, each employee is covered for a sum assured ranging between 5,000 to 2,00,000 depending upon the current salary and service put in from day one irrespective of the actual balance in the Provident Fund.

Alternatively, through EDLI Group scheme through an Insurer, every employee/worker can be covered for a uniform sum assured which will be decided depending upon the group size.

ACCIDENT BENEFIT:

Double accident benefit can be allowed to the extent of the Sum Assured for an extra Premium.

STEPS TO INTRODUCE THE SCHEME:

Being a Change in Employment condition (under ID Act), kindly inform this change to all Employees through appropriate mode.

Apply to the Regional Provident Fund Commissioner under Sec.17 (2A) of the E.P.F. and M.P. Act 1952 to exempt you from EDLI Scheme. The application should be accompanied by the prescribed requirements including the Rules of the Proposed Group Insurance scheme. Central PF Commissioner has authorized the R.P.F.C. to grant exemption from the 1st of the month in which the application for relaxation is submitted.

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