



Interpretations, Rulings & Opinions Committee Paper
I.R.O.C Paper (Issued 2001, August.)

Re: KEYMAN INSURANCE

For the purposes of the Income Tax Law, a "keyman" may be defined as that person in an Organization, whose expertise, knowledge and services are indispensable to the performance and growth of that Organization. Simply put, the effective functioning of the Organization depends largely, or exclusively, on this particular individual.

This is determined through the fact that without the services and expertise of this individual, an Organization's ability to effectively carry through its income or profit functions/intake, would be either below normal or viable standards, or reduced to an unprofitable state.

Any Organization which relies this heavily on the skill and ability of its employees, may recognize the need to buy **Life Insurance** on behalf of this employee - so that in the event of this employee's death there would be an additional income forthcoming to mitigate against the possible loss of profits, which may occur.

The conditions listed below are the premises under which the Organization can claim the insurance premiums paid

- 1) **The premiums must be paid on the life of an employee.**
- 2) **The proceeds of the Policy at death, or maturity, will be brought into the Account of the business as a Revenue Receipt.**
- 3) **Generally, the insurance is to meet loss of profit due to loss of the services of the employee.**
- 4) **The premiums must be for a limited number of years (not exceeding 10 years).**

- 5) **The sole relationship between the Insurer and the Insured, must be that of employer and employee.**
- 6) **Whole life or straight life policies will not be accepted for loss of profit insurance except in certain special circumstances and will be dependent on : -**
 - (a) **the age of the employee at the date the insurance is effected;**
 - (b) **the expectancy of life of the employee having regard to his family history.**