

## Notice to Employers Purchasing Life Insurance on Employee's Lives

The Pension Protection Act 2006 ("PPA") now requires that employers provide notice to employees on whom they wish to purchase life insurance and that the employee consent to the employer's purchase of such life insurance. The employee must fall into one of the specified categories of employees, more particularly discussed in the attached form, and must provide the employer with his/her consent to be insured before the issuance of the life insurance policy, *if the Employer is to be allowed to exclude the death benefits payable under the policy from its gross income under IRC §101.*

Failure to provide this notification and obtain the employee's consent before the issuance of the life insurance policy may cause the death benefit in excess of premiums paid to be subject to income taxation.

The insured-employee must consent before the issue date of the policy or policies. An authorized employer representative should countersign the consent indicating acceptance of the consent and accepting its reporting and record keeping responsibilities under PPA.

# Acknowledgement and Consent of Employee to Employer Purchasing Life Insurance on Employee's Life

\_\_\_\_\_  
Name of Employer

\_\_\_\_\_  
Name of Employee

The Employer named above intends to apply or has applied for life insurance coverage on the life of the above named Employee. Pursuant to The Pension Protection Act of 2006 ("PPA 2006"), new IRC §101(j), the Employer must give Notification to the Employee of the proposed purchase of life insurance and the Employee must give written Consent to the Employer purchasing of life insurance on the Employee's life *before* the issuance of any policy, *if the Employer is to be allowed to exclude the death benefits payable under the policy from its gross income under IRC §101*. This applies to policies issued after August 17, 2006. Employer should see page 2 of this form for said requirements and record keeping responsibilities.

## **Employee Notification & Consent:**

It is acknowledged, understood and agreed by the Employee that:

1. I have received Notice of my Employer's intent to purchase life insurance on my life. I hereby consent to be the insured under a life insurance policy or policies issued by Guardian Life Insurance Company of America or any of its subsidiaries on my life by my above named Employer, who will be both the owner and beneficiary of such policy or policies;
2. I acknowledge that by consenting herein to the purchase of this life insurance, neither I nor my family/beneficiaries have any interest or rights to the benefits of such policy or policies;
3. The employer or its successors will continue to be the owner and beneficiary of said policy or policies indefinitely, including after 1) my employment with the Employer terminates, 2) my status as a director of the Employer terminates, or 3) my status as an owner of the Employer terminates;
4. The maximum aggregate face amount of the policy or policies for which the employee could be insured at the time such contract(s) was (were) issued is \$ \_\_\_\_\_. I acknowledge that as a result of my employer's purchase of life insurance on my life, the amount of future life insurance coverage that may be available to me may be reduced.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Covered Employee Signature

*The information in this document is designed to be of assistance to employers purchasing life insurance on one or more of its employees. This sample document is offered for informational purposes only, not as tax or legal advice. Guardian, its agents or employees may not give legal or tax advice. Employers should consult with and obtain the advice of their own professional advisors.*



### **Notice To Employer:**

The Pension Protection Act of 2006 ("PPA 2006"), new IRC §101(j), provides that if the insured:

- 1) was an employee at any time during the 12 month period before the insured's death; or
- 2) is at the time the contract is issued
  - a) a director;
  - b) a highly compensated employee within the meaning of IRC §414(q) (without regard to paragraph (1)(B)(ii) thereof); or
- 3) is
  - a) one of the Employer's five (5) highest paid officers; or
  - b) a shareholder owning directly or indirectly (with application of IRC §318) ten (10%) percent or more in value of the stock of the employer; or
  - c) is among the highest paid thirty-five (35%) of the employees, or
- 4) an amount of the death benefit proceeds are
  - a) payable to a member of the insured's family (under IRC §267(c)(4)), or
  - b) a designated beneficiary other than the Employer, or
  - c) a trust established for the benefit of any member of the insured's family, or the estate of the insured,

the Employer must give Notification to the Employee of the proposed purchase of life insurance and the Employee must give written Consent to the Employer purchasing of life insurance on the Employee's life *before* the issuance of any policy, *if the Employer is to be allowed to exclude the death benefits payable under the policy from its gross income under IRC §101*. The Employer should seek the advice of its own legal and tax advisors to determine if any of the above provisions apply to a given policy.

### **Employer Record Keeping Responsibilities:**

The Employer has the reporting and recordkeeping obligations listed below:

1. File a return reporting:
  - a. The total number of employees at the end of the year;
  - b. The number of employees insured under employer owned contracts at the end of the year;
  - c. Total amount of insurance in force and the end of the year under such contracts;
  - d. Name, address, and Taxpayer ID of the Employer and the type of business in which it is engaged; and
  - e. Statement that the business has a valid consent for each insured Employee.
2. Maintain records of compliance with the Employee's Notice and Consent requirement and the Employer's reporting requirements.