# EDLI – Employees Deposit Linked Insurance Scheme

Updated on May 27, 2020

Uncertainties of life in the modern world have made getting adequate insurance cover imperative for every individual. This is especially important for private sector employees who do not enjoy the same social security benefits as public sector employees. To extend the benefits of life insurance to private sector employees, government has introduced the **Employees Deposit Linked Insurance Scheme (EDLI) in 1976.**

**Employees Deposit Linked Insurance Scheme**

Employees Deposit Linked Insurance Scheme or EDLI is an insurance cover provided by the EPFO (Employees Provident Fund Organisation) for private sector salaried employees. The registered nominee receives a lump-sum payment in the event of the death of the person insured, during the period of the service.

EDLI applies to all organisations registered under the Employees Provident Fund and Miscellaneous Provisions Act, 1952. All such organisations must subscribe to this scheme and offer life insurance benefits to its employees. This scheme works in combination with EPF and EPS. The extent of the benefit is decided by the last drawn salary of the employee.

**Features of Employees Deposit Linked Insurance Scheme**

Here are the essential elements of EDLI, applied uniformly to all beneficiaries under the policy:

- EDLI applies to all employees with a basic salary under Rs. 15,000/- per month. If the basic salary goes above Rs. 15,000 per month, the maximum benefit is capped at Rs. 6,00,000/-
- There is no need for the employees to contribute to EDLI. Their contribution is required only for EPF.
- There is a bonus of Rs. 1,50,000/- available under the EDLI.
- Any organisation that has more than 20 employees needs to register for EPF. Therefore, any employee who has an EPF account automatically becomes eligible for the EDLI scheme.
- There are no exceptions to the insurance coverage provided by EDLI. It protects the insured person round the clock, all around the world.
- An employer can opt for another group insurance scheme, but the benefits offered must be equal to or more than those offered under EDLI.
- As per the provisions of the EDLI, the contribution of an employer must be 0.5% of the basic salary or a maximum of Rs. 75 per employee per month. If there is no other group insurance scheme, the maximum contribution is capped at Rs. 15,000/- per month.
- For all calculations under EDLI, dearness allowance must be added to the basic salary.

**Calculation of EDLI Charge**

The registered nominee will receive a lump-sum pay out in the event of the death of the insured person. If no nominee or beneficiary is registered, then the amount would be paid to the legal heir.

**The pay-out to be awarded will be calculated as under:**

{Average Monthly Salary of the Employee for the last 12 months (capped at 15,000/- p.m.) x 30 } + Bonus Amount (Rs. 1,50,000/-)

Therefore, the maximum pay out under EDLI is capped at Rs. 6,00,000/-.

**Documents required for a pay out under EDLI**

To process the claim under EDLI, following documents are to be submitted by the claimant: –

- Duly Completed Form 5 IF
- Death Certificate of the insured person.
- Succession Certificate in case the legal heir files the claim.
- Guardianship Certificate if the claim is filed on behalf of a minor by a person other than the natural guardian.
- Copy of cancelled cheque for the account in which the payment is to be received.

**How to claim the benefits under EDLI**

The process to be followed by the nominee or claimant to receive the amount under EDLI is as follows:

- The benefits can be claimed by the nominee specified by the insured person. If no nominee was registered, then the family members or legal heirs can apply for the same.
- The deceased person should have been an active contributor to the EPF scheme at the time of his/her death.
- EDLI Form 5 IF has to be duly completed and submitted by the claimant.
- The claim form has to be signed and certified by the employer.
- If there is no employer or the signature of the employer cannot be obtained, the form must be attested by any of the following:
- Bank manager (in whose branch the account was maintained)
- Local MP or MLA
- Gazetted Officer
- Magistrate
- Member/Chairman/Secretary of Local Municipal Board
- Postmaster or Sub-Postmaster
- Member of the regional committee of EPF or CBT

✓ The claimant must submit all the documents along with the completed form with the regional EPF Commissioner's Office for processing of the claim.
✓ The claimant can also submit Form 20 (for EPF withdrawal claim) as well as Form 10C/D to claim all the benefits under the three schemes, EPF, EPS and EDLI)
✓ Any additional documents required must be furnished at earliest to process the claim.
✓ Once all the documents are provided and the claim is accepted, the EPF commissioner must settle the claim within 30 days from the receipt of the claim. Otherwise, the claimant is entitled to interest @12% p.a. Till the date of actual disbursal.

**Contribution by the Employee and Employer to the EPS, EPF and EDLI**

The employer makes the contribution to these schemes on behalf of the employees. The employee contribution is deducted from the salary before they credit the salary. Employees themselves need not make any direct payment to these schemes.

**The contribution of employees is calculated as**: –

- For EPF – 12%
- For EPS – None
- For EDLI – None

The contribution of Employer is calculated as: –

- For EPF – 3.67%
- For EPS –8.33% or Rs. 1,250/-
- For EDLI – 0.50 or max Rs. 75/-

The chief motive of the EDLI scheme is to offer financial security to the family members of the policyholder (deceased person). Family members mean spouse, unmarried daughter, or male child up to 25 years of age. The employee cannot choose which of the three schemes, EPF, EPS or EDLI, that he/she wants to opt for, but they are transferable with any change in the job. The new employer will continue to make payment in the existing account only.