

**INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY
NOTIFICATION**

Hyderabad, the 16th February, 2013

**Insurance Regulatory and Development Authority
(Linked Insurance Products) Regulations, 2013**

F. No. IRDA/Reg./15/73/2013.—In exercise of the powers conferred under Section 114A of the Insurance Act, 1938 (4 of 1938) read with Sections 14 and 26 of the Insurance Regulatory and Development Authority, Act 1999, the Authority in consultation with the Insurance Advisory Committee, hereby makes the following regulations, namely :—

CHAPTER I

Preliminary

1. Short title and commencement.

- a. These regulations may be called Insurance Regulatory and Development Authority (Linked Insurance Products) Regulations, 2013.
- b. They shall come into force on the date of their publication in the Official Gazette.
- c. These regulations shall be applicable to all linked insurance products offered by life insurance companies.
- d. Unless otherwise provided by these regulations, nothing in these regulations shall deem to invalidate the linked insurance policies entered prior to these regulations coming into force.
- e. Regulations shall mean Insurance Regulatory and Development Authority (Linked Insurance Products) Regulations, 2013.
- f. For the purpose of this Regulation, the unit fund shall be read as the policy account unless otherwise specified in case of variable insurance products.

1A. Definitions: In these Regulations, unless the context otherwise requires,—

- a) “**Act**” means the Insurance Act, 1938 (4 of 1938).
- b) “**Authority**” means the Insurance Regulatory and Development Authority established under sub-section (1) of section 3 of the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999)

- c) **"Allocation"** means the process of creating the units at the prevailing unit price offered by the life insurer like when the premiums are received or when switches are made.
- d) **"Date of payment of premium"** means the date on which premium payment is received by the insurer in accordance with the provisions of Section 64 VB (2) of the Act.
- e) **"Date of discontinuance of the policy"** means, for the purpose of these regulations, the date on which the insurer receives the intimation from the insured or policyholder about discontinuance of the policy or surrender of the policy or on the expiry of the notice period provided for in the sub-regulation (i) of Regulation 13 (a) herein, whichever is earlier.
- f) **"Discontinuance"** means the state of a policy that could arise on account of surrender of the policy or non-payment of the contractual premium due before the expiry of the notice period provided for stipulated in sub regulation (i) of Regulation 13 (a) herein.
Provided that no policy shall be treated as discontinued on non-payment of the said premium if, within the grace period, the premium has not been paid due to the death of the insured or upon the happening of any other contingency covered under the policy.
- g) **"Death benefit"** means the benefit, agreed at the inception of the contract, which is payable on death as specified in the policy document.
- h) **"Discontinued Policy Fund / Discontinued Policy Account Value"** means the segregated fund/policy account of the insurer that is set aside and is constituted by the fund value/policy account value, as applicable, of all the discontinued policies determined in accordance with this Regulation.
- i) **"Discontinuance charge"** means a charge that does not exceed the limits stipulated in sub-regulation (vi) of regulation 13 (a) herein, expressed as a percentage of one annualized level premium or the single premium or fund value/policy account value, as applicable, that can be levied upon discontinuance of a policy.
- j) **"Employer-Employee group"** means groups where an employer-employee relationship exists between the master policyholder and the member in accordance with the relevant laws.
- k) **"Fund value or Unit Fund value"** means the total value of the units at that point of time in a segregated fund i.e. total number of units under a policy multiplied by the Net Asset Value (NAV) per unit of that fund.
- l) **"Free-look"** period shall be as stipulated in sub-regulation 2 of Regulation 6 of Insurance Regulatory and Development Authority (Protection of Policyholders' Interests) Regulations, 2002.
- m) **"Grace Period"** means the time granted by the insurer from the due date for the payment of premium, without any penalty/late fee, during which time the policy is considered to be in-force with the risk cover without any interruption as per the terms of the policy.
- n) **"Limited premium payment products"** means the linked insurance products where the premium payment period is limited compared to the policy term and are paid at regular intervals like yearly, half-yearly etc.
- o) **"Lock-in-period"** means the period of five consecutive years from the date of commencement of the policy, during which period the proceeds of the discontinued

policies cannot be paid by the insurer to the policyholder or to the insured, as the case may be, except in the case of death or upon the happening of any other contingency covered under the policy.

- p) **"Maturity benefit"** means the benefit which is payable on maturity i.e. at the end of the term, as specified in the policy document and is stated at the inception of the contract.
- q) **"Net Asset Value (NAV)"** means the price per unit of the **Segregated Fund**.
- r) **"Partial Withdrawals"** means any part of fund/partial withdrawal that is encashed/withdrawn by the policyholder during the period of contract.
- s) **"Premium re-direction"** means an option which allows the policyholder to modify the allocation of amount of renewal premium to various segregated funds, under a unit linked policy, offered through a different investment pattern from the option exercised at the inception of the contract.
- t) **"Redemption"** means cancellation of the units at the prevailing unit price of the segregated funds offered in the products, in case of partial withdrawals, switches, surrender, maturity etc.
- u) **"Regular Premium Products"** means linked insurance products where the premium payment is throughout the term of the product and are paid in regular intervals like yearly, half-yearly etc.
- v) **"Rider benefits"** means an amount of benefit payable on a specified event offered under the rider, and is allowed as add-on benefit to main benefit.
- w) **"Revival of a policy"** means restoration of the policy, which was discontinued due to the non-payment of premium, by the insurer with all the benefits mentioned in the policy document, with or without rider benefits if any, upon the receipt of all the premiums due and other charges if any, as per the terms and conditions of the policy, upon being satisfied as to the continued insurability of the insured on the basis of the information, documents and reports furnished by the policyholder, in accordance with their Board approved Underwriting guidelines.
- x) **"Revival Period"** means the period of two consecutive years from the date of discontinuance of the policy, during which period the policyholder is entitled to revive the policy which was discontinued due to the non-payment of premium.
- y) **"Segregated fund"** means the funds as referred to in Schedule II-A of the IRDA (Assets, Liabilities and Solvency Margin of the Insurers) Regulations, 2000.
- z) **"Sales illustrations"** means a document furnished in accordance with life insurance council circular number LC/SP/Ver 1.0 dated 3rd February, 2004, which depicts the effect of charges on the value of benefits at various stages of a linked contract. The illustrations furnished for these contracts shall inter alia furnish the yield, net of charges, corresponding to both the higher and lower interest rate scenario.
- aa) **"Settlement options"** means a facility made available to the policyholder under the unit linked products to receive the maturity proceeds in installments in accordance with the terms and conditions specified in advance at the inception of the contract.
- bb) **"Single premium products"** means linked insurance products, where the premium payment is made by a single payment at the inception of the policy.
- cc) **"Sum Assured"** means an absolute amount of benefit which is guaranteed to become payable on death of the life assured in accordance with the terms and conditions of the policy or an absolute amount of benefit which is available to meet the health cover.

- dd) **"Surrender"** means complete withdrawal/ termination of the entire policy.
- ee) **"Surrender Value"** means an amount, if any, that becomes payable in case of surrender in accordance with the terms and conditions of the policy.
- ff) **"Switches"** means a facility allowing the policyholder to change the investment pattern by moving from one segregated fund, either wholly or in part, to other segregated fund(s) amongst the segregated funds offered under the underlying unit linked product of the insurer.
- gg) **"Top-up premium"** means an additional amount (s) of premium paid, if any, over and above the contractual basic premiums stipulated in the terms and conditions, at irregular intervals during the period of contract.
- hh) **"Units"** means a specific portion or part of the underlying segregated unit linked fund which is representative of the policyholder's entitlement in such funds.
- ii) **"Linked Whole Life products"** means linked insurance products which do not have a definite policy term and the policy terminates on death of the life assured. This can be issued with item (n) or (u) or (bb) stated above.
- jj) All words or expressions not defined in these regulations but defined in the Insurance Act 1938 or Insurance Regulatory and Development Authority Act 1999 shall have the same meanings respectively assigned to them in those Acts.

Chapter-II

Linked Insurance Products

2. **Linked insurance products:**
 - a. Linked insurance products shall be offered only under non-par individual products and non-par fund based group products in any of the following manner:
 - i) Unit Linked Products and
 - ii) Variable Linked Products.
3. **Unit Linked Insurance Products (ULIP):**
 - a. Unit Linked insurance products shall be offered in any of the following manner:
 - i) Linked Individual Non-par;
 - (ii) Linked Fund based Group Non-par;
 - b. These are the products where the benefits are partially or wholly dependent on the performance of the underlying assets under each of the segregated fund offered and shall be operated as follows:
 - i) The premiums shall be allocated to such segregated funds, otherwise called as unit funds, as per its net asset value and the benefits shall be determined based on the performance of the underlying assets of such segregated funds.
 - ii) The insurers may levy charges as stipulated in Regulation 35 herein applicable to the unit linked products.
 - iii) The products shall comply with the maximum reduction in yield requirements as referred stipulated in Regulation 37 herein.
 - c. A unit linked policy may only offer the following death benefits:
 - i) The sum assured as agreed in the policy *plus* the balance in the unit fund or
 - ii) Higher of the sum assured as agreed in the policy or the balance in the unit fund. In either case, the sum assured shall be at a minimum consistent with the provision stipulated in Regulation 5 herein.
 - d. A minimum maturity benefit which shall be at least equal to the balance in the unit fund on the date of maturity.
4. **Variable Linked Insurance Products (VLIP):**

- a. Variable insurance products shall be offered in any of the following manner:
 - i) Linked Individual Non-par;
 - ii) Linked Fund based Group Non-par;
- b. These are the products where the benefits are partially or wholly dependent on the performance of an approved external index/benchmark which is linked to the product and shall be operated as follows:
 - i) The Variable insurance products shall have a:
 - (1) Guaranteed non-negative interest rate, referred as minimum floor rate and
 - (2) Non-negative variable interest rate of not less than quarterly frequency, which shall be directly linked to the performance of the approved external index or the external benchmark.
 - (3) Non-negative residual additions, if any, shall be credited to the policy account in order to meet the maximum reduction in yield as stipulated in Regulation 37 at the end of each year starting from policy year 5. Such non-negative residual additions shall be determined as:
 - (a) Gross Investment Yield earned in the shadow account at the end of each policy year less
 - (b) Actual yield earned in the policy account value, at the end of each policy year less
 - (c) Yield referred in the reduction in yield at that duration as per Regulation 37
 - (d) For the purpose of this regulation, the yield earned on each of the Policy account shall be calculated using the money weighted rate of return method at end of each policy year.
 - ii) This minimum floor rate, as approved in the File and Use clearance accorded by the Authority, shall be:
 - (1) Guaranteed for the entire term of the policy accumulating on the balance of the policy account;
 - (2) Such accumulation shall be at a frequency of not less than quarterly on the balance of the policy account at the beginning of each such quarter.
 - iii) At each interval, after the minimum floor rate is credited, the non-negative variable interest rate, as applicable, in accordance with the external index or external benchmark, as approved in the File and Use clearance accorded by the Authority, shall be credited to the balance of the policy account value and
 - iv) At the end of each policy year, in order to comply with maximum reduction in yield as stipulated in Regulation 37 herein, after minimum floor rate and non-negative variable interest rate are credited, non-negative residual additions, if any shall be credited to the policy account value.
- c. Variable linked policy may only offer the following death benefits:
 - i) The sum assured as agreed in the policy *plus* the balance in the policy account or
 - ii) Higher of the sum assured as agreed in the policy or the balance in the policy account.

In either case, the sum assured shall be at a minimum consistent with the provision stipulated in Regulation 5 herein and

 - iii) A minimum maturity benefit which shall be at least equal to the balance in the policy account.
 - iv) **Policy Account Value:**

- (1) Every variable linked insurance policy shall have a corresponding policy account whose balance shall depict the accrual to the policyholder. The policy account shall be credited with premium net of charges as stipulated in Regulation 35 herein, as applicable to variable insurance products. The guaranteed rate and variable interest rate shall be applicable to the balance of the policy account.
 - (2) Shadow policy account value shall be maintained on a daily basis. Such shadow policy account shall be computed based on the actual accruals of all income elements like premiums, top-up premiums, income from investments as and when received and all actual debits i.e. partial withdrawals to the policy account value as and when debited, to arrive at the actual gross investment return and reduction in yield to the policy account value, at the end of each year starting from policy year 5.
 - (3) The policy account value shall comply with the maximum reduction in yield requirements as referred stipulated in Regulation 37 herein.
- v) **Frequency of accrual of non-negative variable interest rate:** For all modes of premium payment (viz., single premium, annual, half-yearly, quarterly and monthly) the non-negative variable interest rate to be credited shall not be less than quarterly frequency.
- vi) **Separation of assets:**
- (1) The insurer shall keep a separate account of all receipts and payments in respect of this product. The valuation of assets and liabilities shall be in accordance with the IRDA (Assets, Liabilities and Solvency Margin) Regulations, 2000 and all other relevant regulations.
 - (2) The insurer shall earmark assets for each product separately and the policy account value of each of the product shall be disclosed on a daily basis in the website through a specifically assigned identification number called "SAIN" where the SAIN shall start with the unique identification number assigned to the product followed by a three digit running number to be assigned to such products.
 - (3) The insurer shall prepare the financial statements separately in addition to the businesses mentioned in Part V of the Schedule-A of the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002.
- vii) **Furnishing Statements of Accounts:**
- (1) The statement of policy account shall be sent to the policyholder at least once a year.
 - (2) Policy account statement shall be issued at the end of each financial year to the policyholder giving the breakup of the Opening balance, premium received, deductions towards charges, minimum floor interest earned, variable interest earned, non-negative residual interest rate credited and closing balance in the manner prescribed in the **Annexure - I**.
- viii) **Approved External Index:** The external index so linked may be allowed to be changed only on approval under File and Use under the following circumstances:
- (1) Such changes shall be allowed only in case of non-availability of the existing index or disruption of existing index.

- (2) Any such subsequent changes shall be informed to the policyholder at least with 1 month's notice and shall provide the policyholder/insured the information about another approved external index, which shall be linked to the product.

Chapter-III

Benefits Payable on Death, Benefits payable under Health cover and Guarantees

5. Benefit payable on death/ Benefits offered under the Health Cover:

- a. From inception of the policy, all individual linked insurance products shall offer at least the minimum sum assured as specified in the Table 5.c that becomes payable:
 - i) on death or
 - ii) to make benefits payments under the health cover, as applicable.
- b. The table 5.c below specifies the minimum sum assured under linked insurance products where:
 - i) T is Policy Term chosen by the policyholder for any product except for whole life products.
 - ii) For whole life products, T shall be taken as 70 minus age at entry.
 - iii) AP is Annualized Premium selected by the policyholder at the inception of the policy excluding the service tax.
 - iv) SP is the Single Premium which is chosen by the policyholder at the inception of the policy, excluding the service tax.
- c. The minimum sum assured shall be at least equal to:

Table 5.c

Type of Products	Minimum Sum assured for age at entry below 45 years	Minimum Sum assured for age at entry of 45 years and above
Life Single Premium (SP) Products	125 percent of single premium.	110 percent of single premium
Life Regular Premium (RP) including Limited Premium Paying (LPP) Products	10 times the annualized premiums or $(0.5 \times T \times \text{annualized premium})$ whichever is higher.	7 times the annualized premiums or $(0.25 \times T \times \text{annualized premium})$ whichever is higher.
Health Regular Premium (RP) including Limited Premium Paying (LPP) products	5 times the annualized premium or Rs.100,000 per annum whichever is higher.	5 times the annualized premium or Rs.100,000 per annum whichever is higher.

- d. In respect of pension products and immediate annuity products, the minimum sum assured as in Table 5.c is not mandatory.
- e. Single premium health insurance products shall not be offered under unit linked insurance products.
- f. Other Conditions:

- i) In case of unit linked insurance products as stipulated in Regulation 3 (c)(ii) herein, on death during the term of the policy, the sum assured payable on death shall not be reduced, except to the extent of the partial withdrawals made during the two year period Immediately preceding the death of the life assured. However, on attainment of 60 years of age of the life assured, all the partial withdrawals made within two years before attaining age 60 and all the partial withdrawals made after attaining age 60 may be reckoned for adjusting out of the sum assured to determine actual sum payable on death.
- ii) No cover shall be extended after the expiry of the policy term and only settlement options under unit linked products, which are clearly outlined at the commencement of the contract, may be allowed.
- iii) In case of death due to suicide, within 12 months from the date of inception of the policy or from the date of revival of the policy, the nominee of the policyholder shall be entitled to the fund value / policy account value, as available on the date of death.
- iv) In case fraud or misrepresentation, the policy shall be cancelled immediately by paying the surrender value, subject to the fraud or misrepresentation being established by the insurer in accordance with Section 45 of the Insurance Act, 1938.
- v) For policies issued on minor life, the date of commencement of policy and date of commencement of risk shall be same.
- g. At no time the death benefit under a life insurance product or a benefit assured under a pension product on death or a health related benefit under a health insurance product shall be less than 105 percent of the total premiums including top-ups paid, excluding the service tax.

6. Guarantees on policy benefits:

- a. Subject to provisions stipulated in Regulations 5, 26 and 33 herein, all individual linked products shall have either a guaranteed sum assured payable on death or a guaranteed sum assured to meet the health cover, as applicable and may have a guaranteed maturity value.
- b. General aspects on any investment guarantees provided under linked products:
 - i) Guarantees provided shall be reasonable, consistent in relation to the current and long term interest rate scenario and priced appropriately.
 - ii) In case of unit linked products where guarantee charge is levied: If a guarantee charge is levied for the guarantees offered, the insurer shall submit a comprehensive documentation on such guarantee charge and demonstrate in their application under the File and Use:
 - (1) the purpose of such charge,
 - (2) the pricing methodology adopted and reserving methodology proposed to be adopted,
 - (3) the appropriateness of proper pricing and reserving through sensitivity and scenario testing for all the guarantees provided for,
 - (4) the possible asset allocations envisaged in arriving at the guarantee and the corresponding charge,
 - (5) whether such asset allocations envisaged as in (4) above and the actual assets allocations underlying the fund could be different,
 - (6) how the objective of the fund would be achieved in such scenario etc.,

- iii) In case of variable insurance products, the insurer shall not levy any guarantee charge.

Chapter-IV

Policy Term, Premium Paying Term & Commission

7. Minimum Policy Term: The minimum policy term:

- a. For individual products, shall be at least five years and
- b. For fund based group linked products, shall be on annually renewable basis.

8. Premium Payment Term:

- a. Premium Payment Term of Policies: Irrespective of the policy term, all individual linked products, shall have the minimum features as stated below:
 - i) Except for single premium payment products, no product shall have a minimum premium payment term (PPT) of 5 years.
 - ii) Insurers may design products which offer a range of premium paying terms and policy terms within a product.
 - iii) Insurers may extend an option to a policyholder to alter the premium payment term or policy terms provided that such alteration is in accordance with their Board approved underwriting policy.

9. Commissions or remuneration in any form:

- a. Commission or remuneration in any form for the procurement of all individual policies in respect of all the Distribution Channels except the Direct Marketing shall not exceed the following:
 - i) Other than Pension Products:
 - (1) In case of single premium, 2% of the single premium;
 - (2) In case of other than single premium, the Table 9 (a) shall apply.

Table 9 (a)

Premium paying terms	Maximum Commission or remuneration in any form as % of premium		
	1 st year	2 & 3 year	Subsequent years
5	15	7.5/5(*)	5
6	18	7.5/5(*)	5
7	21	7.5/5(*)	5
8	24	7.5/5(*)	5
9	27	7.5/5(*)	5
10	30	7.5/5(*)	5
11	33/30(*)	7.5/5(*)	5

12 years or more	35/30(*)	7.5/5(*)	5
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Note – (*) The maximum commission or remuneration:

- a) For brokers shall be:
 - i. 30% in the first year for policies with premium paying term 10 and above; and
 - ii. 5% in the subsequent years for all premium paying terms.
- b) During the first ten years of a life insurer's business for all intermediaries, except for brokers, shall be 40% in the first year for policies with premium paying term 12 and above.
- ii) Pension Products:
 - (1) In case of single premium, 2 per cent of single premium.
 - (2) In case of other than single premium:
 - (a) 7½ per cent of the first year's premium, and.
 - (b) 2% per cent of each renewal premium.
- b. For all distribution channels, except direct marketing, the maximum commission or remuneration in any form with respect to fund based group products as stipulated in Regulation 41 (a) herein, with respect to all premium payment modes, shall be:
 - i) 2 per cent of the premiums paid during the year with a ceiling of rupees one lakh per scheme for the entire year.
 - ii) At subsequent renewal, 2 per cent of the premiums paid during the year with a ceiling of rupees one lakh per scheme for the entire year.
- c. If the commission or remuneration in any form offered in a product is substantially different between the distribution channels, the AA shall justify.
 - i) The reasons for the difference;
 - ii) How the difference is allowed in the pricing (i.e. charging structure) along with the volumes projected for each distribution channel;
- d. Provided where the policies are procured by Direct marketing, no commission shall be payable.

Chapter-V

Discontinuance Terms

10. **Grace Period:** The grace period for payment of the premium for all types of linked insurance policies, except single premium policies shall be:
 - a. Fifteen days, where the policyholder pays the premium on a monthly basis;
 - b. Thirty days, in all other cases.
11. **Lock-in Period:** All linked insurance products shall have a lock-in period of five years from the date of inception of the policy.
12. **Options of a policyholder upon discontinuance of the policy during the first five years:**
 - a. For other than single premium policies, a policyholder shall be entitled to exercise one of the following options upon the discontinuance of the policy:

- i) Revive the policy within a period of two years, or
- ii) Complete withdrawal from the policy without any risk cover.
- b. For single premium policies, the policyholder shall be entitled to exercise the option stipulated in sub-regulation a (ii) above.

13. Obligations of an insurer upon discontinuance of a policy before lock-in-period.

- a. Where a policy is discontinued, the insurer shall take the following steps to enable the policyholder to exercise the option as stipulated in Regulation 12 herein:

- i) Send a notice within a period of fifteen days from the date of expiry of grace period to such a policyholder to exercise the said options within a period of thirty days of receipt of such notice:

Provided that where the policyholder does not exercise the option within the notice period of thirty days, the treatment of such policy shall be subject to provisions stipulated in Regulation 15 herein.

Explanation.—The fund value/policy account value of the policy shall be part of the segregated fund chosen/total policy account till the policyholder exercises his/her option or till the expiry of thirty days of notice period whichever is earlier. During this period the policy is deemed to be in force with risk cover as per terms and conditions of the policy.

- ii) To impose discontinuance charges only to recoup expenses incurred towards procurement, administration of the policy and incidental thereto;
- iii) To design the discontinuance charges to encourage the policyholder to continue with the contract for the full term;
- iv) To ensure that the discontinuance charges reflect the actual expenses incurred;
- v) To structure the discontinuance charges within the statutory ceilings on commissions and expenses; and
- vi) To ensure that the charges levied on the date of discontinuance (as a percentage of one annualized premium or a percentage of single premium) do not exceed the limits specified below:—

(1) For annual premiums:

Where the policy is discontinued during the policy year	Maximum Discontinuance Charges for the policies having annualized premium up to Rs.25,000/-	Maximum Discontinuance Charges for the policies having annualized premium above Rs. 25,000/-
1	Lower of 20% * (AP or FV/policy account value) subject to a maximum of Rs. 3000	Lower of 6% * (AP or FV/policy account value) subject to a maximum of Rs. 6000
2	Lower of 15% * (AP or FV/policy account value) subject to a maximum of Rs. 2000	Lower of 4% * (AP or FV/policy account value) subject to a maximum of Rs. 5000
3	Lower of 10% * (AP or FV/policy account value) subject to a maximum of Rs. 1500	Lower of 3% * (AP or FV/policy account value) subject to a maximum of Rs. 4000
4	Lower of 5% * (AP or	Lower of 2% * (AP or FV/policy

	FV/policy account value) subject to a maximum of Rs. 1000	account value) subject to a maximum of Rs. 2000
5 and onwards	Nil	Nil

(2) For Single premium policies:

Where the policy is discontinued during the policy year	Maximum Discontinuance Charges for the policies having Single Premium up to Rs.25,000/-	Maximum Discontinuance Charges for the policies having Single Premium above Rs.25,000/-
1	Lower of 2% *(SP or FV/policy account value) subject to a maximum of Rs.3000/-	Lower of 1% *(SP or FV/policy account value) subject to a maximum of Rs.6000/-
2	Lower of 1.5% *(SP or FV/policy account value) subject to a maximum of Rs.2000/-	Lower of 0.5% *(SP or FV/policy account value) subject to a maximum of Rs.5000/-
3	Lower of 1% *(SP or FV/policy account value) subject to a maximum of Rs.1500/-	Lower of 0.25% *(SP or FV/policy account value) subject to a maximum of Rs.4000/-
4	Lower of 0.5% *(SP or FV/policy account value) subject to a maximum of Rs.1000/-	Lower of 0.1% *(SP or FV/policy account value) subject to a maximum of Rs.2000/-
5 and onwards	Nil	Nil

AP- Annualised Premium**SP-Single Premium****FV- Fund Value**

b. Provided that where a policy is discontinued, only discontinuance charge and Fund management charge, which shall not exceed 50 bps per annum on discontinuance fund/policy account value, as applicable, may be levied by the insurer and no other charges by whatsoever name shall be levied.

c. Provided that no discontinuance charges shall be imposed on top-ups premiums.

14. Obligations of an insurer on revival of a discontinued policy:

- a. Where the policyholder exercises the option to revive the policy, the policy shall be revived restoring the risk cover along with the investments made in the segregated funds as chosen by the policyholder, out of the discontinued fund/policy account value, less the applicable charges as in sub-Regulation (b) in accordance with the terms and conditions of the policy.
- b. The insurer, at the time of revival:
 - i) shall collect all due and unpaid premiums without charging any interest or fee.
 - ii) may levy policy administration charge and premium allocation charge as applicable during the discontinuance period. No other charges shall be levied.
 - iii) Shall add back to the fund, the discontinuance charges deducted at the time of discontinuance of the policy.

15. Obligations of the insurer upon surrender of the policy:

- a. Where the policyholder exercises the option stipulated in sub-Regulation (ii) of Regulation 12 (a) herein or does not exercise the option available in terms of the proviso to sub-Regulation (i) of Regulation 13 (a), the fund value/policy account value of the policy shall be credited to the discontinued policy fund/policy account value. The proceeds of the discontinued policy shall be refunded only upon completion of the lock-in period. The income earned on such fund/ policy account value shall be apportioned to the discontinued policy fund/discontinued policy account value and shall not be made available to the shareholders.
- b. The insurer shall refund the amount by means of a cheque or demand draft, to be delivered to the insured, at his last known address or through any other electronic mode of payment to the specific bank account of the insured. However, the insurer may deduct discontinuance charges on the date of discontinuance on such policies, which shall not exceed the charges stipulated in sub-Regulation (vi) of Regulation 13 (a) herein:

Provided that in case of linked pension products, the insurer shall not refund more than one-third of the proceeds of the discontinued policy or as per the extant income tax provisions while the remaining amount shall be used to purchase an annuity with the same insurer, subject to the provisions of section 4 of the Act.

Explanation:(i) "Proceeds of the discontinued policies" means the fund value/policy account value as on the date the policy has discontinued, after addition of interest computed at the interest rate stipulated in Regulation 19 herein.

16. Obligations of the insurer, where the insured or the nominee is not traced:

- a. Where the insured or his nominee, as applicable cannot be traced, the said proceeds shall be set aside and shown separately in the annual report of the insurer with its age wise break-up. The insurer shall not write back or apportion the said proceeds to the income of the shareholders or to that of any other policyholder. The proceeds so set aside shall be dealt with in such manner as may be specified by the Authority from time to time. A separate statement shall be furnished to the Authority on a half-yearly basis as stipulated in Regulation 62(b) herein.

17. Obligations of the insurer where two year revival period is not completed at the end of the lock-in period:

- a. For policies which have not completed two years of revival period at the end of the lock-in-period, the insurer shall take the following steps to enable the policyholder to exercise the options available at the end of lock-in-period.

- i) Where a policy is discontinued, the insurer shall take the following steps to enable the policyholder to exercise the options:
 - (1) as stipulated in Regulation 12 herein or
 - (2) Payout the proceeds at the end of the lock-in-period or revival period whichever is later.

- ii) Send a notice within a period of fifteen days from the date of expiry of grace period to such a policyholder to exercise the said options within a period of thirty days of receipt of such notice:

Provided that where the policyholder does not exercise the option within the notice period of thirty days, the treatment of such policy shall be subject to provisions stipulated in Regulation 15 herein.

Explanation.—The fund value/policy account value of the policy shall be part of the segregated fund chosen/total policy account till the policyholder exercises his/her option or till the expiry of thirty days of notice period whichever is earlier. During this period the policy is deemed to be in force with risk cover as per terms and conditions of the policy.

- b. If sub-regulation a (i) of Regulation 12 or a(i)(2) above is opted, the fund shall continue to remain in the discontinued policy fund/policy account value till the policy is revived or up to the end of the revival period whichever is earlier. If the policy is not revived within two years of the revival period, the proceeds of the discontinued policy fund/discontinued policy account value shall be paid out to the policyholder in accordance with Regulation 15.

18. Segregated Discontinued Policy Fund/ Discontinued policy account:

- a. Each insurer shall have one discontinued policy fund/discontinued policy account for all the pension products, one for all life insurance products and one for all health insurance products. Each of these funds/policy accounts shall comprise of all the discontinued policy funds/discontinued policy account values of all the policies offered under the respective linked insurance products.
- b. In case of unit linked products, the discontinued policy fund shall be a unit fund with the following asset categories:
 - i) Money market instruments: 0% to 40%;
 - ii) Government securities: 60% to 100%.

19. Minimum Guaranteed Interest Rate:

- a. The minimum guaranteed interest rate applicable to the discontinued fund/discontinued policy account shall be at an interest rate of 4 per cent per annum.
- b. The excess income earned in the discontinued fund/discontinued policy account over and above the minimum guaranteed interest rate shall also be apportioned to the discontinued policy fund/discontinued policy account value in arriving at the proceeds of the discontinued policies and shall not be made available to the shareholders.

20. Obligations of the insurer in case of discontinuance of policy after the lock-in-period:

- a. In case of discontinuance of policy after the lock-in-period, the insurer shall offer a revival period of two years from the date of discontinuance of premium. During this period the policy is deemed to be in force with risk cover as per terms and conditions of the policy.

- i) Where a policy is discontinued, the insurer shall take the following steps to enable the policyholder to exercise the options:
 - (1) Revive the policy within a period of two years, or
 - (2) Complete withdrawal from the policy without any risk cover.
 - (3) Convert the policy into paid-up policy, with the paid-up sum assured in accordance with Section 113 (2) of the Insurance Act, 1938 i.e. sum assured multiplied by the total number of premiums paid to the original number of premiums payable as per the terms and conditions of the policy.
- ii) Send a notice within a period of fifteen days from the date of expiry of grace period to such a policyholder to exercise the said options within a period of thirty days of receipt of such notice:

Provided that where the policyholder does not exercise the option within the notice period of thirty days, the treatment of such policy shall be, by default, in accordance with (2) above.

Explanation.—The fund value/policy account value of the policy shall be part of the segregated fund chosen/total policy account till the policyholder exercises his/her option or till the expiry of thirty days of notice period whichever is earlier. During this period the policy is deemed to be in force with risk cover as per terms and conditions of the policy.

Chapter: VI

Free Look Period, Surrender Value, Top-up Premium, Partial Withdrawals and Settlement Options

21. Return of Policy during the Free-look period:

- a. In case of unit linked products, the policyholder shall be entitled to an amount which shall at least be equal to non-allocated premium plus charges levied by cancellation of units plus fund value at the date of cancellation less expenses in accordance with the IRDA (Protection Of Policyholders' Interests) Regulations 2000, if the policyholder returns the policy.
- b. In case of variable insurance products, the policyholder shall be entitled to an amount in accordance with the IRDA (Protection Of Policyholders' Interests) Regulations 2000, if the policyholder returns the policy.

22. Surrender Value:

- a. Surrender Value: All individual linked insurance and pension products shall acquire surrender value in the following manner:
 - i) Linked Products other than linked pension products shall acquire surrender value stipulated in Regulations 15 herein.
 - ii) Linked Pension Products shall acquire surrender value stipulated in Regulation 27 herein.
- b. Where a linked insurance product acquires a surrender value during the first five years, it shall become payable only after the completion of the lock-in-period. After the lock-in period, the surrender value shall be at least equal to the fund value/policy account value as on the date of surrender.

- c. The "Surrender Value" or the "surrender value formula" shall be published in the policy document and all other promotional materials of the policy.

23. Top-up Premium:

- a. A top-up premium is an amount of premium that is paid by the policyholders at irregular intervals besides basic regular premium payments specified in the contract and is treated as single premium for all purposes.
- b. Top-up premiums can be remitted to the insurer during the period of contract only, where due basic regular premiums are paid up to date and if expressly allowed in the terms and conditions of the policy.
- c. All top-up premiums made during the currency of the contract, except for pension products, shall have insurance cover treating them as single premium, as per the table 5.c.
- d. Top-up premiums once paid cannot be withdrawn from the fund/policy account value for a period of 5 years from the date of payment of the 'Top-up' premium, except in case of complete surrender of the policy.
- e. Except for pension products, top-up premiums are not permitted during the last 5 years of the contract.
- f. For pension products, top-up premiums may be allowed unlimitedly, subject to providing the assured benefits on each of the top-up premiums paid.
- g. For all other products other than pension products, at any point of time during the currency of the contract, the total top-up premiums paid shall not exceed the sum total of the regular premiums paid at that point of time/single premium paid.
- h. The minimum sum assured on top-up premium shall be based on the age at payment of top-up premium but not on entry age.

24. Partial Withdrawals:

- a. Partial withdrawal shall be allowed only after fifth policy anniversary.
- b. In the case of child policies, partial withdrawals shall not be allowed until the minor life insured attains majority i.e. on or after attainment of age 18.
- c. No partial withdrawal shall be allowed in case of –
 - i) Linked pension products
 - ii) Fund based Group linked products.
- d. Partial withdrawals made shall be allowed from the fund/policy account value built up on from the top-up premiums, if any, as long as such fund/policy account value supports the partial withdrawal and subsequently, the partial withdrawals may be allowed from the fund/policy account value built up from the base premium. The insurer shall have the necessary systems built to identify the funds/policy account values from the base premiums and funds/policy account values from top-up premiums.
- e. The partial withdrawals with respect to the funds/policy account values from the base premiums shall only be counted for the purpose of adjusting the sum assured to be payable on death for the purposes of sub-Regulation 5 (f)(i) herein. Partial withdrawals made from the top-up premiums shall not be deducted for this purpose.
- f. The partial withdrawals shall not be allowed which would result in termination of a contract.

25. Settlement Options under unit linked products:

- a. The insurer may provide settlement options at the maturity providing only periodical payments, in the contract so as to avoid the possibility of fluctuations affecting the maturity value under linked life insurance products and linked health insurance products.
- b. Settlement options shall clearly indicate in the promotional material, the inherent risk being borne by the policyholder during the period and shall be explicitly understood by the policyholder.
- c. The period of settlement shall not, in any case, be extended beyond a period of five years from the date of maturity.
- d. The insurer may levy fund management charge during the settlement period and no other charges shall be levied.
- e. Partial withdrawals and switches shall not be allowed during the settlement period.
- f. Complete withdrawal may be allowed at any time during the settlement period without levying any charge.
- g. The provisions of this Regulation shall not apply to linked pension products and all variable insurance products.

Chapter VII

Pension Products

26. General Provisions with respect to Pension and annuity products :

- a. Pension products may be offered on any of the following platforms:
 - i) Individual linked pension products;
 - ii) Fund based Group linked pension products;
- b. **Defined Assured Benefits:**
 - i) All individual pension products shall have explicitly defined assured benefit that is payable on:
 - (1) Death and;
 - (2) Vesting.
 - ii) The defined assured benefit shall be disclosed at the time of sale.
 - iii) The assured benefit shall be utilized on the vesting date or on date of death stipulated in sub-Regulations 28 and 29 herein, as applicable.
- c. Pension products offered by the insurers may have a sum assured payable on death throughout the deferment period or may offer riders. The sum of all the rider premiums attached to the pension product shall not exceed 15% of the premium paid for the pension policy. Such rider premiums shall be separately accounted for and shall not be included in arriving at the assured benefit as referred stipulated in Regulation (b) above.

27. Surrender Value and Options on Surrender:

- a. On the date of surrender during the lock-in-period, the provisions stipulated in Regulation 15 herein shall be applicable. For the individual linked pension products, the extant Income Tax Rules shall be complied with at the time of closure of the contract at the end of the lock-in-period.
- b. On the date of surrender after the lock-in period, the surrender value shall not be less than the fund value/policy account value as on the date of such surrender and the policyholder shall exercise one of the following options:

- i) To commute to the extent allowed under Income Tax Act and to utilize the balance amount to purchase immediate annuity from the same insurer, which shall be guaranteed for life, at the then prevailing annuity/pension rate, or
- ii) To utilize the entire proceeds to purchase the single premium deferred pension product from the same insurer

28. Options on Vesting: On the date of vesting, the policyholder shall exercise one of the following options:

- a. To commute to the extent allowed under Income Tax Act and to utilize the balance amount to purchase immediate annuity with the same insurer, which shall be guaranteed for life, at the then prevailing annuity/pension rate, or
- b. To utilize the entire proceeds to purchase the single premium deferred pension product with the same insurer; or
- c. To extend the accumulation period / deferment period within the same policy with the same terms and conditions as the original policy provided the policyholder is below an age of 55 years.

29. Options to the Nominee on death of the policyholder: If the policyholder dies during the deferment period, the nominee shall exercise one of the following options:

- a. To utilize the entire proceeds of the policy or part thereof for purchasing an annuity at the then prevailing rate from the same insurer; or
- b. Withdraw the entire proceeds of the policy;

30. Financial Planning: For the purpose of financial planning, any pension product offered by the insurer shall comply with the sales literature guidelines issued by the life insurance Council circular number LC/SP/Ver. 1.0 dated 3rd February, 2004 and shall also necessarily disclose:

- a. An illustrative target purchase price for each policyholder considering the premium payment capacity, age, vesting age and the future expected conditions.
- b. Possible risks involved, if any, including the targeted pension rate in meeting the targeted purchase price.
- c. Possible risks involved, if any, in purchasing the targeted pension rate/annuity rate.
- d. An illustrative target annuity/pension rates for the illustrative target purchase price.
- e. For the purpose of providing benefit illustration, in addition to the benefit illustration requirement stipulated in Regulation 40 herein, additional benefit illustration shall be disclosed to the prospective policyholder as in Annexure II.

31. In addition to the regular yearly statement to be sent to the policyholder in accordance with Regulation 60 (d) herein, a yearly disclosure shall be sent to each policyholder in Annexure-III, on 1st April indicating:

- a. The current accumulated/available amount;
- b. The expected accumulated/available amount on the date of vesting on the basis of the then prevailing and the likely assumed economic & demographic environment, as relevant with the caveat, that the projected rates shall not reflect any guarantee;
- c. Likely annuity amounts based on the then prevailing annuity rates and on assumed interest rates of 4% p.a. and 8% p.a. with the caveat, that the projected rates shall not reflect any guarantee;

32. Fund Based Groups Linked Pension Products:

- a. For all fund based group linked pension products with the defined benefits subscribed to by an employer, where the scheme does not maintain individual member accounts and only maintains a superannuation fund:

- i) There shall be an assured benefit that shall be applicable on the entire superannuation fund available with the insurer.
 - ii) For exits such as death/retirement etc which are in accordance with the scheme rules as agreed at the inception of the contract with group policyholder, the insurer shall make payments from such funds only subject to the availability of funds in the respective unit fund or policy account value of the respective group policyholder's superannuation fund.
 - iii) Except for exits as per the scheme rules, no other withdrawals shall be allowed.
 - b. For all fund based group linked pension products with the defined contributions subscribed to by an employer, where the scheme maintain individual member accounts:
 - i) There shall be an assured benefit that shall be applicable on each of such individual accounts.
 - ii) For exits such as death/retirement/termination etc which are in accordance with the scheme rules as agreed at the inception of the contract with group policyholder, the insurer shall make payments from such individual member funds only subject to the availability of funds in the respective unit fund or policy account value of the respective member of the group policyholder's.
 - iii) Except for exits as per the scheme rules, no other withdrawals shall be allowed.
 - c. Provisions stipulated in Regulations 27, 28 and 29 herein shall not be applicable to fund based group linked pension products; however the benefits shall be subject to the scheme rules.
 - d. Provisions stipulated in Regulation 41 (e) herein shall apply in case of complete surrender of the policy.
 - e. Where the group policyholder maintains superannuation funds with more than one insurer, the group policyholder shall have the option to choose the insurer to purchase the immediate annuity.
- 33. For the purpose of this Regulation:**
- a. Target purchase price shall mean an absolute amount guaranteed at the outset of the contract or the accumulated value of the premiums/contributions accumulating at an illustrative rate of 4% p.a. and 8% p.a., which is expected to meet the policyholder's pension needs after allowing for commutation.
 - b. Targeted pension rate shall mean the pension that a policyholder expects to receive at the date of vesting at an illustrative assumed rate of interest of 4% p.a. and 8% p.a. allowed in pricing the annuity
 - c. "Guaranteed for life" shall mean:
 - i) an amount of annuity is guaranteed, in absolute terms, at the time of vesting or at the time of surrender or at the time of sale and
 - ii) Such guaranteed amount shall become payable as long as the policyholder survives.
 - d. An assured benefit means at least one of the guarantees from the following options of providing either:
 - (1) non-zero positive rate of return on the premiums paid, excluding service tax, from the date of payment to date of vesting or
 - (2) an absolute amount to be paid on death or maturity (which shall result in non-zero positive return).

- ii) In both the above cases, the amount of such guarantee shall be disclosed at the time of purchase of contract.
- iii) The non-zero positive return on death may be more than the non-zero positive return on maturity/vesting.
- iv) A guaranteed maturity benefit (in absolute amounts) which shall be utilized at the vesting date or guaranteed death benefit (in absolute amounts) payable on death shall be disclosed at the time of purchase of contract.
- e. The prevailing annuity rate shall mean the annuity rates that are approved by the authority as per the file and use procedure and are attached to the pension products.
- f. Commutation shall mean the giving up of a part or all of the annuity payable from vesting/surrender for an immediate lump sum.

Chapter VIII

Charges & Reduction in Yield for all Linked Products

34. Charges:

- a. The life insurers shall use uniform definitions for charges under all the linked products in accordance with this regulation.
- b. The Insurers shall distribute the overall charges, in all linked products, in an even fashion during the lock-in period such that the:
 - i) premium allocation charge and policy administration charge shall be spread evenly during first 5 years of the policy contract, without wide fluctuations;
 - ii) charges could change from year to year in a reasonably orderly manner so that the difference between the maximum and minimum charges during first 5 years shall not vary by more than 1.5 times.
- c. For the purpose of this Regulation, the unit fund shall be read as the policy account, in case of variable insurance products and the charges shall be levied to the policy account, wherever applicable.

35. The charges levied under the linked insurance products shall be:

- a. **Premium Allocation Charge:** This is a percentage of the premium appropriated towards charges from the premium received. For unit linked products, the balance amount known as allocation rate constitutes that part of premium which is utilized to purchase the units of the fund in the policy. For variable insurance products, the balance amount shall be credited to the policy account. The percentage shall be explicitly stated and could vary by the policy year in which the premium is paid, the premium size and the premium type (regular, single or top-up premium).
 - i) This is a charge levied at the time of receipt of premium.
 - ii) **Example:** If premium = Rs.1000 & Premium Allocation Charge: 10% of the premium; then the charge: Rs.100 and Balance amount of premium is Rs.900.
- b. **Fund Management Charge (FMC):**
 - i) For unit linked products, this is a charge levied as a percentage of the value of assets and shall be appropriated by adjusting the Net Asset Value. This is a charge levied at the time of computation of NAV, which is usually done on daily basis
 - ii) For variable insurance products, this is a charge levied as a percentage of the policy account value and shall be appropriated to the policy account value.

- iii) **Example:** If Fund Management charge (FMC) is 1% p.a. payable annually; Fund before FMC is Rs.100/- and Fund after this charge is Rs.99/-.
- c. **Guarantee Charge:**
- i) For unit linked products, this is a charge levied as a percentage of the value of assets and shall be appropriated by adjusting the Net Asset Value.
 - ii) This is a charge levied at the time of computation of NAV, which is usually done on daily basis.
 - iii) In case of variable insurance products, the insurer shall not levy any guarantee charge.
- d. **Policy Administration Charge:** This charge shall represent the expenses other than those covered by premium allocation charges and the fund management expenses. This is a charge which may be expressed as a fixed amount or a percentage of the premium or a percentage of sum assured.
- i) For unit fund, this charge is levied at the beginning of each policy month from the unit fund by canceling units for equivalent amount.
 - ii) For variable insurance products, this charge is levied at the beginning of each policy month from the policy account value.
 - iii) This charge could be flat throughout the policy term or vary at a pre-determined rate, subject to an upper limit. The pre-determined rate shall preferably be say an x% per annum, where x shall not exceed 5.
 - iv) **Example:** Rs.40/- per month increased by 2%p.a. on every policy anniversary.
- e. **Surrender Charge or Discontinuance charge**
- i) This is a charge levied on the unit fund/policy account value where the policyholder opts for complete withdrawal of the contract as stipulated in Regulation 12 a (ii) herein.
 - ii) This charge is usually expressed either as a percentage of the fund or as a percentage of the annualized premiums (for regular premium contracts).
- f. **Switching Charge:** For unit linked products, this is a charge levied on switching of monies from one fund to another available within the product. The charge per each switch, if any, shall be levied at the time of effecting the switch and it shall be either a flat amount or lower of {a flat amount or percentage of the fund value}.
- g. **Mortality /Morbidity charge:** This is the cost of life/health insurance cover. It is exclusive of any expense loadings levied by cancellation of units. This charge, if any, shall be levied at the beginning of each policy month from the fund.
- i) The method of computation shall be explicitly specified in the policy document. The mortality/morbidity charge table shall form part of the policy document.
 - ii) Mortality/morbidity charge table shall be guaranteed during the contract period.
 - iii) The mortality/morbidity charge for the mortality/morbidity risk covered shall:
 - (1) only reflect the pure risk charges for the cover offered and shall not include any allowance for expenses or any other parameters.
 - (2) be reasonable and consistent with the prescribed mortality tables or morbidity tables, if any.
 - (3) be demonstrated with the support of insurer's own experience, wherever applicable.
 - (4) be expressed as per Rs.1000 Sum at risk for each age.
- h. **Rider charge:** This is the rider charge which is exclusive of expense loadings and levied separately to cover the cost of rider cover. The rider charge, if any, shall be levied by

cancellation of units. This charge is levied at the beginning of each policy month from the fund.

- i) The rider charge table shall be form part of the policy document.
- ii) The rider charge shall:
 - (1) only reflect the pure risk charges for the cover offered and shall not include any allowance for expenses or any other parameters.
 - (2) be reasonable and consistent with the prescribed mortality/morbidity tables
 - (3) be demonstrated with the support of insurer's own experience, wherever applicable.
 - (4) be expressed as per Rs.1000 Sum Assured for each age
- iii) Only linked riders approved by the Authority shall be attached to linked products.

i. **Partial withdrawal charge:** For unit linked products, this is a charge levied on the unit fund at the time of part withdrawal of the fund during the contract period.

j. **Miscellaneous charge:**

- i) This is a charge levied for any alterations within the contract, such as, increase in sum assured, premium redirection, change in policy term etc. The charge is expressed as a fiat amount. For unit linked products, this shall be levied by cancellation of units.
- ii) This charge is levied only at the time of alteration.
- iii) **Example:** Rs.100/- for any alteration such as increase in sum assured, change in premium mode etc.

36. Other conditions on Charges:

- a. The charges as filed under the File and Use and approved by the IRDA shall not be modified or changed without obtaining the prior approval of the IRDA.
- b. All the charges other than premium allocation charge and mortality charge shall have an upper limit, if any, specified in all the promotional material and policy document.
- c. All the charges, where upper limit is allowed, may be modified with supporting data within the upper limits with prior clearance from the Authority.
- d. The cap on Fund Management Charges in respect of each of the segregated fund shall be 135 basis points and cap on guarantee charge shall be 50 basis points.

37. Difference between Gross Yield and Net Yield for all linked products:

- a. Subject to sub-regulation (b), the maximum reduction in yield for policies from the fifth policy anniversary shall be in accordance with the Table 37 a.

Table: 37 a.

Number of years elapsed since inception	Maximum Reduction in Yield (Difference between Gross and Net Yield (% p.a.))
5	4.00%
6	3.75%
7	3.50%
8	3.30%
9	3.15%
10	3.00%

11 and 12	2.75%
13 and 14	2.50%
15 and thereafter	2.25%

- b. The net reduction in yield at maturity for policies with term:
 - i) less than or equal to 10 years shall not be more than 3.00% and
 - ii) above 10 years shall not be more than 2.25%.
 - c. The insurer shall ensure that the reduction in yield in (a) and (b) is complied for all gross investment returns. However, only for the purpose of demonstration, the insurer shall demonstrate in the File and Use Application the compliance of reduction in yield in (a) and (b) for gross investment returns of 6% p.a., 8%, 10%p.a, 15%p.a., 20% p.a., 25%p.a.
 - d. In the process to comply with the reduction in yield, the insurer may arrive at specific non-negative additions, if any, to be added to the unit fund/policy account value, as applicable, at various durations of time. In case of unit linked products, such specific non-negative additions shall be called non-negative claw-back additions and shall be filed in the file and use procedure for approval.
38. At the time of Maturity, the insurer shall issue the policyholder a certificate showing year-wise contributions, charges deducted, fund value and final payment made to the policyholder taking into account partial withdrawals, if any. This certificate shall confirm adherence of above prescription.
- 39. Computation of Net Yield:**
- a. Mortality and Morbidity charges may be excluded in the calculation of the net yield.
 - b. Extra premium due to underwriting emanating from extraordinary health conditions, cost of all rider benefits, service tax on charges (as applicable) and any explicit cost of investment guarantee shall be excluded in the calculation of net yield. The calculation of all charges shall be as per 'File and Use' document as approved by the IRDA.
 - c. The net yield shall be calculated based on the projection of end fund on monthly basis at a specified gross rate of return assuming the mortality and morbidity charges as zero throughout the term of the contract and premiums are paid as and when due. The equation of value concerning the gross premium paid by the policyholder and the maturity fund value shall give the effective net yield per annum expected to be earned on the contract at the point of sale.
 - d. As the policyholders' behavior with regard to options under Linked products, for example, partial withdrawals, premium redirection etc. affect the net yield; such options may be ignored throughout the term of the contract of demonstrating the net yield.
 - e. A sample calculation of net yield is given in Annexure IV.
- 40. Customized Benefit Illustration:**
- a. The benefit illustrations shall be shown as per the gross investment returns prescribed by the Life Insurance Council which are currently 4% and 8% and the corresponding net yield shall be demonstrated only with respect to gross investment return of 8% p.a
 - b. The customized benefit illustration shall include all charges as applicable, service tax and fund values including commission/brokerage payable.

- c. The net yield and hence reduction in net yield as calculated, shall be disclosed in the benefit illustration indicating the corresponding gross yield figures.
- d. The benefit illustration shall be as prescribed in Annexure V_A for Unit Linked Products and V_B for Variable Linked Products.

Chapter: IX

Fund Based Group Linked Products

41. Fund Based Group Linked Products

- a. Except for fund based group linked products, no other group linked product shall be offered under linked platform, where fund based group linked products are those which are offered to Employer-Employee groups and consists of:
 - i) Group Linked Superannuation Product;
 - ii) Group Linked Gratuity Product;
 - iii) Group Leave Encashment Product;
- b. Provisions stipulated in Regulations 5, 10 to 20, 23, 24 and 25 shall not be applicable to fund based group linked products. However, the group linked policies in (a) (ii) & (a) (iii) above shall have life cover depending on the needs of the group.
- c. The premium with respect to group schemes shall be made in accordance with the Actuary's certificate submitted by the employer in accordance with the AS15 (Revised). Where the fund is overfunded/in surplus as per such certificate, the insurer may allow "nil contributions/premiums" under the policy and in all such cases, the policy shall not be treated as discontinued.
- d. The fund based group linked products shall not allow any top-ups, unless required as per the actuary's certificate in accordance with the AS 15 (Revised), to address the underfunding of the scheme.
- e. The fund based group linked products may levy a surrender charge not exceeding 0.05 per cent of the fund/policy account value, with a maximum of Rs. 500, 000/-, if the policy is surrendered within the third renewal of the policy.
- f. Fund based group linked products may offer life insurance cover with an explicit mortality charge levied.
- g. Provisions stipulated in Regulations 34, 35, 36 and 37 herein shall be applicable to fund based group linked products:
 - i) At each individual account level, if individual accounts are maintained;
 - ii) At each policyholder fund level, if individual accounts are not maintained and only one fund is maintained.

For the purpose of this Regulation, "number of years elapsed since inception" stipulated in Regulation 37 herein shall be read as "number of years elapsed since renewal of the policy".

42. Fund Based Group Linked Products Administration:

- a. The premium charged and benefits admissible to each member of the group shall be clearly specified in the group policy and the group policyholder shall not have the liberty to vary the premium or benefits with regard to the individual members.
- b. Group discounts on premium are given for the benefit of the insured members of the group and shall not be appropriated as additional remuneration by the agent or

corporate agent or broker or group policyholder. Such discounts shall be based on valid underwriting considerations such as the group size and shall be passed on to the members.

- c. Where a part or whole of the premium is paid by the group policyholder, for example, the employer in respect of insurance of his employees, the discounts may be shared by those who paid the premium in proportion to the premium paid by them.
- d. There shall be no other payment whether as management expenses or documentation expenses or profit commission or bulk discount or payment of any other description, to the agent or corporate agent or group policyholder. The group policyholder shall be specifically prohibited from collecting by way of premium from the members of a group, any amount higher than the amount charged by or paid to the insurer for such insurance.
- e. The insurer, under an agreement with the group policyholder, may leverage on the existing infrastructure, if any, for better administration of the scheme with respect to the following services:
 - i) Data management – Documenting the list of the persons insured under the group policy from time to time and supporting the insurer with quality data on all members of the scheme and Know Your Customer requirements. The data management shall enable seamless transfer of data to insurer at regular intervals of each month or at short intervals as decided between the insurer and the group policyholder, to ensure efficient claims handling and establishing accurate reserving and pricing.
 - ii) Collection of Premium — Group policyholder may support the insurer through prompt premium collections under contributory schemes and its remittance to the insurer on a timely manner for better cash flow management.
 - iii) Issuance of Certificate of Insurance —The insurer shall be responsible to issue certificate of insurance to each group member of the policy where individual accounts are maintained. However, the insurer may provide the facility to the group policyholder to issue certificates of insurance to persons insured under the group, provided the underwriting guidelines for acceptance or rejection of such a risk do not require use of subjective judgment and can be easily programmed into a computer that will review acceptance and print the certificate of insurance. The procedure to be followed include:
 - (1) The certificate shall contain information on the schedule of benefits, the premium to be paid and important terms and conditions of the insurance contract.

- (2) The certificate shall also state the procedure to be followed to register a claim with the insurer including the full address of the office of the insurer where the claim should be registered.
 - (3) The certificate forms shall be supplied by the insurer with in-built security features and in pre-numbered lots to the group policyholder. Before furnishing a fresh lot of forms, insurer shall personally verify the previous issue of certificate of insurers.
 - (4) Under any circumstances the insurer shall be responsible for the certificate of insurance issued by a group policyholder, in certificate forms provided by the insurer.
 - (5) The insurer shall be held responsible to the group members insured, in respect of the group policy in case of failure of the group policyholder to account for the business to the insurer, if the group member insured can prove that he had paid the premium and secured a proper receipt leading him to believe that he was duly insured.
- iv) Claims settlement – The insurer may take the services of the group policyholder in facilitating the registering and settlement of a claim, however, the insurer is totally responsible to ensure that the claim payment is made in the name of the insured member, with respect to the life cover available in the group linked products, even if the cheque is sent to the group manager for administrative convenience. For other claim payments, the payment shall be made in accordance with the scheme rules. This payment shall be made only when the service is rendered.
- f. The insurer may make payments directly to the group policyholder for the services rendered as in (e) under an agreement. The Authority may prescribe such remuneration to be paid to the Group Policyholder from time to time for each of the services rendered as in (e) and the current limits shall not be more than:
- i) For data management: Rs.15/- per member per annum;
 - ii) Premium collection: Rs.10/- per member per annum;
 - iii) Issuance and delivery of certificate of Insurance: Rs.10/- per member subject to a minimum of Rs. 500/-. Issue of duplicate certificate of insurance shall not be done by the group policyholder;
 - iv) Claims settlement: Rs.10/- per claim;
- g. If the business is procured through an intermediary, the remuneration with respect to the functions referred in (e) (i), (ii) and (iv) shall not be paid to the group policyholder,

as these functions are part of obligations of an intermediary. However, with respect to the services referred in e (iii), the services of a group policyholder may be utilized and payment may be made as stipulated in f (iii).

h. If the business is procured directly, the remuneration with respect to the functions referred in (e) (i), (ii) and (iv) may be paid to the group policyholder, only if the group policyholder has provided all the services in accordance with the agreement. The payments to the group policyholder:

i) all put together shall not in any case exceed 20% of the commission payable as stipulated in Regulation 9 herein in case of both Single premium products and other than single premium products.

ii) shall ensure that for each of the services individually, the payments shall not exceed the rated proportion to the overall limit of 20% of the commission payable as stipulated in Regulation 9 herein in case of both Single premium products and other than single premium products

Chapter X

Computation of Net Asset Value (NAV) for Unit Linked Products

43. Computation of NAV:

a. The NAV of the Segregated FUND [SFIN] shall be computed as:

Market value of investment held by the fund + value of current assets – (value of current liabilities and provisions, if any)

Number of units existing on Valuation Date (before creation / redemption of units)

- b. The NAV computed as above, in respect of 'each' Segregated Fund, shall be Audited by the Concurrent Auditor on a day-to-day basis.
- c. The NAV calculated as above, in respect of 'each' Segregated fund, shall be declared daily on the Insurer's Website and at the Life Insurance Council's Website, as and when the same is ready
- d. The sale or purchase shall be on a net basis.

Note:

- i) *Market value of investment, held by the fund.*
- ii) *Value of Current Assets represents Accrued interest, Dividend Receivable, Bank Balance, Receivable for Sale of Investments and Other Current Assets (for Investments)*
- iii) *Value of current liabilities represents Payable for Investments*
- iv) *Number of units derived from the investment accounting system shall be reconciled on a day to day basis with the policy administration system*
- v) *Provisions shall include expenses for brokerage and transaction cost, NPA, Fund Management Charges (FMC) and any other charges approved by the Authority.*

44. Segregated funds:

- a. Each Segregated Fund shall have:
 - i) A 'single' NAV, declared on a day-to-day basis and
 - ii) Fund management charge, if any, shall be specific to each segregated fund.
- b. Each segregated fund shall have identified assets representing the investments of such segregated funds.
- c. The Internal / Concurrent Auditor shall certify that such segregation had not resulted in enrichment of one set of policyholders from others due to change in the units or the NAV.
- d. The implication, to the policyholder of such change, if any, shall be put on the insurer's website along with the rationale of making such change.
- e. The concurrent Auditor shall confirm the Insurer's adherence to these requirements.

45. Asset Allocation under each fund:

- a. The asset allocation range for each asset category shall be separate and explicitly stated.
- b. Within a fund, no asset category shall have the asset allocation of "0%-100%", if more than one asset category is represented in the fund.
- c. The asset allocation range shall reflect the investment objectives of the underlying fund.

Chapter XI**Administration of Linked Insurance Products****46. Administration of linked insurance products:**

- a. The insurers shall not launch any product, unless all the processes are lay down and suitable infrastructure requirements on an ongoing basis for the products to be launched are established and enable the insurer to perform all the day-to-day operations, computation of NAV on a daily basis, determination of the reserves and solvency margin from day of launch of such products, and as required under the legislation, regulation etc.
- b. Where policies may be credited with additional benefits during the term of the contract or where the benefits are complexly designed and deviates from the simple insurance product structured, the insurer shall demonstrate to the Authority that it has established all the systems required to manage the day to day operations of the portfolio and shall enable the Appointed Actuary to determine the reserves and solvency margin calculations as required.
- c. The Board or its delegated risk committee shall certify that "all the system requirements on an ongoing basis for the product.....(product name) to be launched are established and the systems enable the insurer from day of launch of the product, to perform seamlessly all the day-to-day operations, computation of NAV on a daily basis and enables to submit all the necessary reports and returns as required under the legislation, regulation etc". The certificate shall be submitted before the launch of the product.
- d. With regard to the existing products, the insurer shall submit the certificate to the Authority within 30 days from the date of this regulation.

Chapter XII**Miscellaneous Provisions****47. Level Premiums:**

- a. Except for group products, the premium chosen at the outset shall become payable throughout the premium paying term of the policy and shall not be altered during the term of the policy. Such premium shall be level / uniform and shall not vary over the term of the policy.
- b. The insurer shall not accept any amounts less than the due stipulated regular premium payable as stated in the policy.
- c. Any additional payments made on ad hoc basis shall be considered as top-up premium and treated as single premium for the purpose of providing insurance cover.
- d. Service tax, if any, shall not be included in the contractual premium and shall be collected from the policyholder separately as over and above such premium.

48. Allotment of Units under unit linked products:

- a. Units shall only be allocated on the day the proposal is accepted and results into a policy by adjustment of application money towards premium.
- b. The premium shall be adjusted on the due date even if it has been received in advance and the status of the premium received in advance shall be communicated to the policyholder. This shall be disclosed in all literatures/documents furnished to the policyholders.

49. Loans:

- a. Loans shall not be allowed under the Linked Insurance Products.
- b. The promotion material shall display prominently in a bold font in the front page that "the Linked Insurance Products do not offer any liquidity during the first five years of the contract. The policyholder will not be able to surrender/withdraw the monies invested in Linked Insurance Products completely or partially till the end of the fifth year".

50. Series/Tranche of Funds under unit linked products:

- a. Products with "highest NAV guaranteed" shall not be allowed.
- b. Any guarantee offered in the benefits under a linked product shall be at the product level and shall not be related to any of the underlying funds.
- c. The opening of series of closed ended funds shall not be allowed within a product.

51. Market Value adjustment:

- a. Market value adjustment shall not be allowed under:
 - i) Individual products
 - ii) Non-par fund based group products where the product has no investment guarantees.
- b. Market value adjustment may be allowed for non-par fund based Group products for bulk exits and complete surrender, where the bulk exits are clearly defined in the contract and provided there is an investment guarantee assured throughout the policy period.
- c. Market value adjustment shall be defined explicitly & objectively and approved under File and Use. There shall not be any discretion left to the insurer in arriving at the market value adjustment.

- d. Market value adjustment shall not be applicable for the amounts below the amount which represents the bulk exits and shall be applied only to the amount which is over and above the amount representing bulk exit.
- e. For the purpose of this regulation:
 - i) If the amount to be paid on total exits in any event exceeds 25% of the total fund of the scheme at the beginning of the year, such transactions shall be treated as bulk exits, where exit shall be as per the scheme rules.
 - ii) "Exit" shall mean exit of the member from the group.

52. Advance Premium:

- a. Collection of advance premium under individual linked products shall not be allowed except in the following cases:
 - i) The premium due may be accepted 30 days before the date of due of payment of premium. However, the commission shall only be paid on the premium due date
 - ii) For monthly premium payment mode, the insurer may accept three months' premiums in advance only on the date of commencement of policy, if it is a prerequisite to allow monthly mode of premium payment and is allowed under File and Use.

53. Splitting of Policies:

- a. Splitting of policies shall not result into any increase, directly or indirectly to the policyholder by way of fees or charges in whatsoever name at any time during the term of the policies and not just at the inception.
- b. A policy will be deemed to be split, if multiple policies of the same nature are sold to a prospect at the same time which results into a situation defined in (a) above.

54. Linked Health Insurance Products:

All the health insurance products under linked platform shall comply with the extant regulations, guidelines and circulars applicable for unit linked insurance products.

55. Approval of Innovative products:

- a. Innovative products can be defined as the products which are uncommon in the market. Any product design, which is not approved so far by the Authority, shall be treated as innovative product.
- b. The innovativeness in product design shall result in meeting customer needs, better customer understanding and satisfaction and shall not result in complexity of understanding the product, additional strain on the company's infrastructure, which may result in increased cost to the customer.
- c. The insurer shall discuss with the Authority, the product design concept of the proposed innovative product along with:
 - i) Market research inputs which identify the specific needs of customer or meeting the existing needs in innovative manner through the proposed product design.
 - ii) A separate note on how such new product will enhance the satisfaction of customer and of any other stakeholder.

- iii) Details on systems support that is being envisaged for execution of the proposed product.
- iv) Details on underwriting, claims settlement, investment strategies for such new products.
- v) Treatment for arriving at the reserves, solvency margin required for such products.
- vi) Market conduct requirements for such products.
- d. Whether any such products are available elsewhere in other markets. If available, the general structure of such products, the valuation requirements, market conducts and specific regulations on such products.

56. Financial Viability of the Products:

- a. All the products once approved shall be reviewed by the Appointed Actuary at least once a year on the financial viability of the product. If the product is found to be financial unviable, the Appointed Actuary shall revise the product under File and Use procedure. After 5 years of File and Use approval, the Appointed Actuary shall re-file the product along with the past five years experience in terms of mortality, lapse, interest rates, inflation, expenses etc. and seek fresh approval with suitable justifications for the assumptions made.
- b. If the pricing assumptions for mortality is less than 50% of the prescribed table, the Appointed Actuary shall justify such assumptions with the actual claims experience for similar products for the past 3 years

Chapter XIII

Market Conduct

57. Market Conduct:

- a. All Life Insurers shall give a periodical in house training to the persons involved in soliciting or procuring the business (agents/intermediaries) of their respective companies. A statement indicating the number of agents trained shall be furnished to the Authority which shall be appended to AAAR.
- b. The Insurers shall impart this as a separate training to all the insurance agents/intermediaries before they are authorized to sell linked insurance products to ensure required expertise.
- c. The curriculum for this in-house training should inter alia contain;
 - i) The developments of the capital market,
 - ii) The basic knowledge of concept and working of the Linked Insurance Products,
 - iii) Risks in investing in Linked Insurance Products with reference to different funds,
 - iv) The developments in other similar type of financial products, the concept of equity market, debt market and the overall economic scenario as affecting the capital market in general and the features of the linked products.
 - v) This shall be a separate training in addition to the mandatory hours training for issuing and renewing the license respectively. The training shall be on a continuous basis.
- d. Every life insurer shall maintain a register of such persons (agent/intermediaries), who have undergone this specific training. Insurers need to make sure that their

insurance advisors selling the linked life insurance products render unbiased advice to enable the policyholders recognize whether the recommended product is suitable.

- e. An agent/intermediary shall maintain the records pertaining to the policyholder to demonstrate that sufficient information has been collected about the potential policyholder to enable a suitable product to be recommended. The agent/intermediary shall prepare a needs assessment form and enclose it to the proposal giving his recommendations of the appropriateness of the product recommended by him. This will form part of the policy file of the individual. These records shall be made available to the Authority, whenever called for.
- f. Further, an agent/intermediary shall provide the sales illustration statement as prescribed to the potential policyholder. He/she shall clearly indicate how premium paid is appropriated towards various charges from the unit fund and the balance of the fund at the end of the first year and subsequent years. The upfront charges in the initial years have to be brought to the knowledge of the policyholders.
- g. An agent/intermediary shall obtain a statement of consent (to be furnished along with the documents under F & U Procedure) signed by the policyholder and countersigned by the person (agent, intermediary etc) himself/herself, along with the proposal form, that he has understood the inbuilt features of the policy and the applicable charges and that he is fully aware of investment risks under the policy to be issued. A copy of the illustration explained to the proponent duly countersigned by the agent/intermediary and the proponent shall also form part of the proposal papers.
- h. An Insurer or its agent/intermediary shall not make any exaggerated statement, whether oral or written, either about their qualifications or capability to render investment management services or their achievements.
- i. Appropriate documentation forming part of the proposal papers to demonstrate informed decision making on the part of the proponent in deciding a particular insurance product.
- j. Life insurance Council shall issue guidelines on:
 - i) "Code of conduct" to be followed by all the insurers and the intermediaries selling linked products to ensure no mis-sale takes place.
 - ii) Uniform practice for rounding off the unit prices.

58. Policyholder Education: The insurers and life insurance council shall actively promote education of the policyholders on the Linked Products on an ongoing basis to guide them in taking appropriate decisions in terms of the features, risk factors including the terminology and the definitions of charges under these products.

59. Uniform cut-off timings for applicability of Net Asset Value in case of unit linked products : The allotment of units to the policyholder shall be done only after the receipt of premium proceeds as stated below:

(i) Allocations (premium allocations, switch in):

- a. In respect of premiums/funds switched received up to 3 p.m. by the insurer along with a local cheque or a demand draft payable at par at the place where the premium is received, the closing NAV of the day on which premium is received shall be applicable.

- b. In respect of premiums/funds switched received after 3 p.m. by the insurer along with a local cheque or a demand draft payable at par at the place where the premium is received, the closing NAV of the next business day shall be applicable.
- c. In respect of premiums received with outstation cheques/demand drafts at the place where the premium is received, the closing NAV of the day on which cheques/demand draft is credited shall be applicable.
- d. Having regard to the above, insurer shall ensure that each and every payment instrument is banked with utmost expedition at the first opportunity, given the constraints of banking hours, prudently utilizing every available banking facility (e.g. high value clearing, account transfer etc.) Any loss in NAV incurred on account of delays, shall be made good by the insurer.

(ii) Redemptions:

- a. In respect of valid applications received (e.g. surrender, maturity claim, switch out etc) up to 3 p.m. by the insurer, the same day's closing NAV shall be applicable.
- b. In respect of valid applications received (e.g. surrender, maturity claim, switch etc) after 3 p.m. by the insurer, the closing NAV of the next business day shall be applicable.

Chapter: XIV

Disclosure Norms under

60. Disclosure Norms:

- a. For all unit linked products, all Life Insurers shall necessarily and explicitly mention, **using the same font size**, in all the sales brochures, prospectus of Insurance products, in all promotional material and in policy documents:
 - i) On top of each document including the proposal form mention, **"In this policy, the investment risk in investment portfolio is borne by the policyholder"**.
 - ii) The various funds offered along with the details and objective of the fund.
 - iii) The minimum and maximum percentage of the Investments in different types (like equities, debt etc.), investment strategy so as to enable the policyholder to make an informed investment decision. **"No statement of opinion as to the performance of the fund shall be made anywhere."**
 - iv) The definition of all applicable charges, method of appropriation of these charges and the quantum of charges that are levied under the terms and conditions of the policy.
 - v) The maximum limit up to which the insurer reserves the right to increase the charges subject to prior clearance of the Authority.
 - vi) The fundamental attributes and the risk profile (low, medium or high) of different types of investments that are offered under various funds of each linked product.
- b. For all unit linked products, the policyholder shall be given the full details, **using the same font**, related to the investments, as an annual report, covering the fund performance during the preceding financial year in relation to the economic scenario, market developments etc. which should include particulars like.
 - i) The investment strategies and Risk Control measures adopted.
 - ii) The changes in fundamentals, *such as interest rates, tax rates, etc.*, affecting the investment portfolio.

- iii) The composition of the fund (debt, equity etc.), analysis within various classes of investment, investment portfolio details, sectoral exposure of the underlying funds and the ratings of investments made.
 - iv) Analysis according to the duration of the investments held.
 - v) Performance of the various funds over different periods like 1 year, 2 years, 3 years, 4 years, 5 years and since inception along with comparative benchmark index.
- c. A copy of such annual report referred in (b) above shall be appended to the Appointed Actuary Annual Report (AAAR) and shall be submitted along with the AAAR.
- d. All the Life Insurers are required to issue the periodical statements of accounts to policyholders each year disclosing the actual charges levied and the fund/policy account value at the beginning and end of the year.
 - i) Unit statement account /Policy account value shall form a part of the policy document
 - ii) Unit statement account /Policy account value shall make a reference to the terms and conditions applicable under the respective policy document.
 - iii) Unit statement account /Policy account value shall be issued on every policy anniversary and also as and when a transaction takes place.
- e. No unit statements/ Policy account value shall be required to be sent to the policyholder in respect of transactions related to monthly debit of mortality and other charges specified in the contract.
- f. All the insurers shall submit the disclosures relating to discontinued policies as specified below:
 - i) The funds arising from discontinuance policies shall be shown under a separate head in the Balance Sheet in the following manner:
 - (1) Funds for discontinued policies
 - (a) Discontinued on account of non-payment of premium;
 - (b) Others
 - (2) The amount refunded to the policyholders and amount transferred to the "Funds for discontinued policies" during the financial year shall be shown under a separate head.
 - ii) The following disclosures shall be made in the notes of the accounts
 - (1) Number of policies discontinued during the financial year;
 - (2) Percentage of discontinued to total policies (product wise) during the year;
 - (3) Number and percentage of the policies revived during the year;
 - (4) Charges imposed on account of discontinued policies.

Chapter: XV

Advertisements

61. Advertisements:

- a. An advertisement shall ensure the dissemination to all policyholders of adequate, accurate, explicit and timely information fairly printed in a simple language about:
 - i) A factual picture of inherent risks involved.

- ii) Shall clearly distinguish the fact that the Linked products are different from the traditional Life Insurance products so that at no point of time the prospective policy holders will be misled while choosing the Unit Linked products.
 - iii) The risk factors associated with specific reference to fluctuations in investment returns and the possibility of increase in charges.
 - iv) The premiums and funds are subject to certain charges related to the fund or to the premium paid.
 - v) The contingency on which the guarantee, if any, is payable and the exact quantum of such guarantee.
- b. The terminology used in all the advertisements shall be simple, concise and understandable to convey the exact meaning to the policyholders as all of them may not be sophisticated in legal or financial matters and shall avoid the usage of technical jargon and also terms which can have different interpretations or detract the policyholders.
- c. Care should be taken while reporting the past performance of the funds in advertisements, as well as in any other promotional material like sales illustrations, sales brochures etc. It should contain only the results of the funds and be duly supported by related figures. The emphasis on past performance must be reduced in the advertisements, however, past performance, wherever intended to be reported, shall contain:
 - i) Compound annual returns (shall adopt standardized computations) for the previous five calendar years, expressed as a percentage rounded to the nearest 0.1%.
 - ii) Where last five calendar years data are not available, as many years as possible must be shown.
 - iii) Where data is not available for at least one calendar year, past performance shall not be shown.
 - iv) The life insurers shall not be permitted to demonstrate a link between the past performance and the future.
 - v) It shall clearly state, in the same font, that the past performance is not indicative of future performance.
 - vi) Corresponding benchmark index performance, if any, shall be included.
- d. All the advertisements of Linked Insurance products shall disclose the risk factors as stated in the policy document along with the following warning statements:
 - i) Linked Insurance products are different from the traditional insurance products and are subject to the risk factors.
 - ii) The premium paid in Linked Insurance policies are subject to investment risks associated with capital markets and the NAVs of the units may go up or down based on the performance of fund and factors influencing the capital market and the insured is responsible for his/her decisions.
 - iii) _____ is only the name of the Insurance Company and _____ is only the name of the linked insurance contract and does not in any way indicate the quality of the contract, its future prospects or returns.
 - iv) Please know the associated risks and the applicable charges, from your Insurance agent or the Intermediary or policy document issued by the insurance company.

- v) The various funds offered under this contract are the names of the funds and do not in any way indicate the quality of these plans, their future prospects and returns.
- vi) In view of the paucity of time and space, on the advertisements in the hoardings and posters and in audio visual media, wherever the linked insurance contract has been advertised, point nos. (ii) & (iii) shall have a place invariably.
- e. The advertisements shall not compare funds offered by one insurer with funds offered by another insurer, implicitly or explicitly.
- f. Any advertisement reproducing or purporting to reproduce any information contained in as policy document shall reproduce such information in full and disclose all relevant facts and not be restricted to select extracts relating to that item which could be misleading.
- g. Every advertisement shall comply with IRDA (Insurance Advertisements and Disclosure) Regulations, 2000.

Chapter: XVI

Furnishing of Information

62. Furnishing of Information to IRDA:

- a. All the life insurers shall furnish data in respect of the following information relating to their linked policies to the Authority in a prescribed format every half year (Sept and March), to enable the Authority to monitor the functioning of various options offered under linked policies with respect to each product
 - i) Switching options exercised by the policy holder.
 - ii) Premium redirections exercised by the policy holders.
 - iii) Partial withdrawals allowed.
 - iv) Top-up premiums received.
 - v) Insurance cover multiple granted for each product-- separately for Single Premium and non-Single Premium contracts.
 - vi) Expense ratios and fund performance for each fund.
- b. Every insurer shall send a statement of account, on a half yearly basis, within fifteen days, in respect of policies in force including discontinued policies where the proceeds are yet to be paid to the policyholder or her nominee as the case may be, his last known address, which shall contain the following details :-
 - i) The total premium paid by the policyholder
 - ii) Next due date of the premium
 - iii) Pattern of the investment chosen
 - iv) Pattern of investment
 - v) Status of the policy
 - vi) Total fund value/policy account value
 - vii) Total units
 - viii) Detail of charges recovered.
- c. Further, the above details shall also be submitted separately , in respect of discontinued policies where the proceeds are yet to be paid to the policyholder or her nominee as the case may be, his last known address.

- d. A detailed analysis on the functioning and the performance of discontinued policy fund / discontinued policy account value and the movements in the fund shall be explained as a separate chapter in the Appointed Actuary Annual Report.
- e. The Authority may prescribe additional forms from time to time.

Chapter –XVII

Rating of Unit Linked Funds

63. Rating of Unit Linked Funds: The Insurers may move towards the evaluation of their respective unit linked funds done by an independent rating agency with an objective of providing qualitative information to the policyholder as to the assessment of performance of the various unit linked funds to enable the insuring public to choose the product in an informed manner. **This information shall provide the prospects a level of comfort on operational practices, fund management quality, organizational strength of life insurers.** This may be initiated by the life insurers and life insurance council on a voluntary basis.

Chapter –XVIII

Procedure for Implementation and Other provisions

- 64.** The insurers shall follow the following procedure for implementation of this regulation:
- a. All existing products must be examined and ensured that they are in conformity with these Regulations.
 - b. The Chief Executive Officer and the Appointed Actuary will certify such compliance with regard to each product and submit such certificates to the Authority in a consolidated form on or before 30th June, 2013 or 30th September, 2013 as applicable for Group and Individual products.
 - c. In case of products which are non-compliant with the provisions of this regulation:
 - i) the modifications required to confirm to the provisions of this Regulations does not include any change in the benefits offered, premium bases, charges levied or any discounts offered in the products, than the insurer shall carry out such modifications and file the modified File and Use for those products along with the certification of the CEO and the AA that all the entire File and Use after the modification is in conformity with the provision of this Regulations and submit to the Authority before 30th June, 2013. The Authority shall accept the file as final and allot the unique identification number. However, later if such filings are found to be non-complaint with the provisions of this Regulation, the Authority may initiate such action against the said insurer, as deemed appropriate, under the provisions of the Act, the Insurance Regulatory and Development Authority Act, 1999 and the relevant regulations framed there under.
 - ii) For group products, the modifications required to confirm to the provisions of this Regulations include any change in the benefits offered, premium bases, charges levied or any discounts offered in the products, than the insurer shall carry out such modifications and file the modified File and Use for those products along with the certification of the CEO and the AA that all the entire File and Use after the modification is in conformity with the provision of this Regulations and

submit to the Authority before 30th September, 2013 for approval. The products submitted under File and Use for approval shall clearly state the current provisions and the proposed provisions in line with this regulation in a tabular form and also indicate the implications on the pricing, reserving, profit margin etc, if any. The Insurer shall file the products in a phased manner and avoid filing of all the products at one time.

- iii) For individual products, the modifications required to conform to the provisions of this Regulations include any change in the benefits offered, premium bases, charges levied or any discounts offered in the products, than the insurer shall carry out such modifications and file the modified File and Use for those products along with the certification of the CEO and the AA that all the entire File and Use after the modification is in conformity with the provision of this Regulations and submit to the Authority before 30th September, 2013 for approval. The products submitted under File and Use for approval shall clearly state the current provisions and the proposed provisions in line with this regulation in a tabular form and also indicate the implications on the pricing, reserving, profit margin etc, if any. The Insurer shall file the products in a phased manner and avoid filing of all the products at one time.
- d. In case of products which are already filed with the Authority, but not approved, the files shall be returned for filing afresh in conformity with this regulation.
- e. All the existing group policies and all the existing individual products not in conformity with the provisions of this regulation shall be withdrawn from 1st July, 2013 and 1st October, 2013 respectively. No new members shall be enrolled into the existing group policies once the product is withdrawn. However, all group policies at the time of renewal of such policy shall be given an option to switch over to the modified version of the group product, if any, once introduced. Those group policies which do not switch over to the modified version:
 - i) may continue to be renewed under the old policy;
 - ii) closed to new members and
 - iii) specific written consent is obtained by the group policyholder to continue in the old policy.
- f. Subject, to (e), this regulation shall not invalidate the linked individual policies entered prior to this regulations coming into force.
- g. All the insurers shall inform the prospective policyholders about the possible changes in the products being sold during the transition period and give an option to the existing policyholders including prospective policyholders to switch over to the modified version if any, once introduced.

65. Action in case of Default:

- a. The Authority may, at any time, by an order in writing, direct any officer of the Authority to inspect the affairs of any insurer and submit a report on the reasonableness or otherwise of the compliance with the any of these regulations
- b. Upon receipt of the report, the Authority shall, after giving an opportunity to the insurer to make a representation in connection with the findings in the report, direct the insurer appropriately.
- c. Without prejudice to the above, the Authority may also initiate such action against the said insurer, as deemed appropriate, under the provisions of the Act, the

Insurance Regulatory and Development Authority Act, 1999 and the relevant regulations framed there under.

- d. All the insurers shall inform the prospective policyholders about the possible changes in the products being sold during the transition period and give an option to the existing policyholders including prospective policyholders to switch over to the modified version if any, once introduced.
- e. Where any product or feature of a product is cleared under File and Use by the IRDA, such clearances for the same kind of product or feature shall not be denied to any other insurer. However, the Authority reserves the right to require insurers to withdraw a product or a feature of the product if such is found not to be consistent with policyholder interests. In all such cases, the Authority shall give three months notice for such withdrawal.

66. Power of the Authority to issue clarifications:

- a. In order to remove any difficulties in respect of the application or interpretation of any of the provisions of these regulations, the Authority may issue appropriate clarifications or guidelines, as and when required

67. Repeal and Savings:

- a. The IRDA (Treatment of discontinued policies) Regulation, 2010, all the guidelines/clarifications/circulars/letters issued in respect of the unit linked insurance products, Pension and Variable insurance products and Regulation 19 of the IRDA (INSURANCE BROKERS) REGULATIONS, 2002 shall be repealed from the date this regulation comes into force.
- b. Unless otherwise provided by these regulations, nothing in these regulations shall deem to invalidate the Unit linked insurance, Pension and Variable insurance contracts entered prior to these regulations coming into force.

68. Review of the guidelines: The Authority has power to make a detailed review of the guidelines on an ongoing basis for such modifications as may be deemed necessary towards protection of the interests of the policyholders

J. HARI NARAYAN, Chairman

[ADVT. III/4/161/12/Exty.]

Annexure I

Statement of Policy Account for the Financial Year: From _____ To _____
(This shall form part of the Policy Document)

- 1 Name of the Product:
2 Unique Identification Number:
3 Par/Non-Par:
4 Minimum Guaranteed Floor rate of Interest:
5 Linked/Non-Linked:
6 Policy Term:

- 7 Mode of Premium:
8 Amount of Instalment premium:
9 Initial Sum Assured:
10 Current Sum Assured:
11 Approved External Index:

Interest Rate declared for the above Period:

*Bonus Rate Declared:

Statement of Policy Account showing various components under VIP contract for the above period

Policy year	Opening Balance of Policy Account, at the Beginning	Premium Received (Annualised Premium)	Premium Allocation Charge	Policy Admin Charge	Fund/Policy Account Management Charge	Other Charges	Total Deduction of Charges	Additions to fund, if any			Policy Account Value at the end	Surrender Value	Sum Assured	Death Benefit	**Commission Payable
								Interest Amount as per the guaranteed floor rate	Additional interest added	*Bonus (Par)					
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
1											(2)+(3)-(8)+(9)+*(11)				
2															
3															
4															
5															
6															
7															
8															
9															
10															
11															
12															

Information to be furnished by the insurer to the Policyholder

Insurer shall :

Note:

- * Applicable for Participating policies only
a. state that the guaranteed interest rate shall be applied on policy account
b. state that the actual interest rate is applicable on the policy account on a time weighted basis
c. furnish the Other Charges along with the rate and the amount
d. state that the Fund/Policy account management charge shall be applicable to Policy account value
e. state that the Rider charges are not taken into account in this illustration

Signature of the CFO

Signature of CEO/Authorized Person

Place:

Date:

Annexure II

Benefit Illustration for Pension Products

Company Name	XXXXXX
Product Name	XXXXXX
Rider(s), if any	XXXXXX
Base Plan UIN	XXXXXX
Rider(s) UIN	XXXXXX
Date of Illustration	XXXXXX

Personal Details			
Life 1	Name	Age	Gender
XXXX	XXXXX	XX	XX
Policy Details			
Date of policy commencement	XXXXX		
Policy Term	XXXXX		
Premium	XXXXX		
Premium Payment term	XXXXX		
Premium Frequency	XXXXX		
Base Plan Sum Assured(Optional), if any	XXXXX		
Rider(s)Sum Assured if any	XXXXX		
Vesting Age	XXXXX		
Assured Benefit			
Minimum Return on the Premiums Paid	XX		
Guaranteed Vesting Benefit	XX		
Guaranteed Annuity	XX		

Illustrative Benefits on Vesting

Policy Year	Age	Premium		Guaranteed Vesting Benefit	Bonuses/Non-Guaranteed Benefits		Total Vesting benefit	
		During the Year	Cumulative		Assumed Investment Return		Assumed Investment Return	
					4%	8%	4%	8%
xx	xx	xx	xx	xx	xx	xx	xx	
xx	xx	xx	xx	xx	xx	xx	xx	

Annuity payable(per annum) based on the total vesting benefit given above and the current annuity rates

XXXX XXXX

Illustrative Benefits on Death

Assumed Year of death	Guaranteed Death Benefit	Bonuses/Non-Guaranteed Benefits		Total Death Benefit	
		Assumed Investment Return		Assumed Investment Return	
		4%	8%	4%	8%
XX	XX	XX	XX	XX	XX
XX	XX	XX	XX	XX	XX

Illustrative Benefits on Surrender

Assumed Year of Surrender	Guaranteed Surrender Benefit	Bonuses/Non-Guaranteed Benefits		Total Surrender Benefit	
		Assumed Investment Return		Assumed Investment Return	
		4%	8%	4%	8%
XX	XX	XX	XX	XX	XX
XX	XX	XX	XX	XX	XX

Notes:

The values shown above are for illustration purpose only

The actual annuity amount receivable depends on the prevailing annuity rates at the time of vesting

The Guaranteed values is based on the minimum investment return guaranteed at the outset of the policy

The Non-Guaranteed values are based on assumed investment returns of 4% & 6% and these are not upper or lower limits of what you might get back

The annuity at the time of vesting will be provided by the above Insurance Company only.

For more details on risk factors, terms and conditions please read sales brochure carefully before concluding a sale

Marketing Official's Signature

Company Seal

Place

Date

Prospect's/Policyholder's Signature

Annexure III

Annual Disclosure as on 1st April XXXX

Company Name	xxxxxx
Product Name	xxxxxx
Rider(s), if any	xxxxxx
Base Plan UIN	xxxxxx
Rider(s) UIN	xxxxxx
Date of Illustration	xxxxxx

Personal Details			
Life 1	Name	Age	Gender
xxxx	xxxxx	xxx	xx
Policy Details			
Date of policy commencement	xxxxx		
Policy Term	xxxxx		
Premium	xxxxx		
Premium Payment term	xxxxx		
Premium Frequency	xxxxx		
Base Plan Sum Assured(Optional), if any	xxxxx		
Rider(s)Sum Assured,if any	xxxxx		
Vesting Age	xxxxx		
Assured Benefit			
Minimum Return on the Premiums Paid	xxx		
Guaranteed Vesting Benefit	xxx		
Guaranteed Annuity	xxx		

Policy Year	Age	Accumulated/Available Amount		Amount of pension based on prevailing annuity rates	Amount of pension based on expected longevity of —years and Assumed Investment Return	
		for commutation	for annuitization		4%	8%
Current year	xx	xx	xx	xx	xx	xx
Date of vesting*	xx	xx	xx	xx	xx	xx

* The projected amounts as per the terms and conditions
The projected rates may not reflect any guarantee

Assumptions	
Age	35 Years
Term	15 Years
PPT	15 Years
Sex	Male
Average Premium	10000 INR
Sum Assured	100000 INR
Mortality Charge	100% IALM(94-96) UR
Service tax	12.36%
Inflation	5% p.a.
Fund Growth Rate	0.407% p.m.
Fund Growth Rate	10% p.a.
Fund Growth Rate	0.80% p.m.
FMC	1.140% p.a.
FMC	0.095% p.m.
Admin charge	40 INR p.m.
Premium Allocation Charge	
year	Charge
1	40%
2	10%
Thereafter	0%

Year	Month	Age	Premium	Premium Allocation Charge	Fund at Start
1	1	35	10000	4000	6000.00
1	2	35	0	0	6,001.85
1	3	35	0	0	6,003.71
1	4	35	0	0	6,005.56
1	5	35	0	0	6,007.47
1	6	35	0	0	6,009.37
1	7	35	0	0	6,011.29
1	8	35	0	0	6,013.21
1	9	35	0	0	6,015.16
1	10	35	0	0	6,017.11
1	11	35	0	0	6,019.08
1	12	35	0	0	6,021.06
2	13	36	10000	1000	15,023.06
2	14	36	0	0	15,086.25
2	15	36	0	0	15,149.88
2	16	36	0	0	15,213.96
2	17	36	0	0	15,278.49
2	18	36	0	0	15,343.47
2	19	36	0	0	15,408.91
15	180	49	0	0	*****

Note:- 1 This above calculation sheet is for illustrative
2 Net yield may be calculated depending on market conditions

Annexure - IV

Death Benefit	Mortality charge	Service tax	Rider charges	Admin fee	Fund before FMC	FMC	Fund at End	Gross Yield 10.00%	
								Net Yield 7.33%	
94,000	0.00	0.00	0.00	40.0	6,007.53	5.68	6,001.85	RIY	2.67%
93,998	0.00	0.00	0.00	40.0	6,009.39	5.68	6,003.71	Year	Cash flow
93,996	0.00	0.00	0.00	40.0	6,011.27	5.68	6,005.58	1	-10000.00
87,989	0.00	0.00	0.00	40.0	6,013.15	5.68	6,007.47	2	-10000.00
87,985	0.00	0.00	0.00	40.0	6,015.08	5.68	6,009.37	3	-10000.00
87,981	0.00	0.00	0.00	40.0	6,016.97	5.69	6,011.29	4	-10000.00
87,977	0.00	0.00	0.00	40.0	6,018.90	5.69	6,013.21	5	-10000.00
87,974	0.00	0.00	0.00	40.0	6,020.85	5.69	6,015.16	6	-10000.00
87,970	0.00	0.00	0.00	40.0	6,022.80	5.69	6,017.11	7	-10000.00
87,966	0.00	0.00	0.00	40.0	6,024.77	5.69	6,019.08	8	-10000.00
87,962	0.00	0.00	0.00	40.0	6,026.76	5.70	6,021.06	9	-10000.00
87,958	0.00	0.00	0.00	40.0	6,028.75	5.70	6,023.08	10	-10000.00
78,954	0.00	0.00	0.00	42.0	15,100.52	14.27	15,086.25	11	-10000.00
69,828	0.00	0.00	0.00	42.0	15,164.21	14.33	15,149.88	12	-10000.00
69,700	0.00	0.00	0.00	42.0	15,228.35	14.39	15,213.96	13	-10000.00
69,572	0.00	0.00	0.00	42.0	15,292.94	14.45	15,278.49	14	-10000.00
69,443	0.00	0.00	0.00	42.0	15,357.99	14.51	15,343.47	15	-10000.00
69,313	0.00	0.00	0.00	42.0	15,423.49	14.58	15,408.91	16	276697.27
69,182	0.00	0.00	0.00	42.0	15,489.45	14.64	15,474.81		276697.2711
	0.00	0.00	0.00	79.2	2,76,959.02	261.75	2,76,697.27		

the purpose and exhibits the application of principles stated in the circular
mode of premium payment.

- d. A detailed analysis on the functioning and the performance of discontinued policy fund / discontinued policy account value and the movements in the fund shall be explained as a separate chapter in the Appointed Actuary Annual Report.
- e. The Authority may prescribe additional forms from time to time.

Chapter –XVII

Rating of Unit Linked Funds

63. Rating of Unit Linked Funds: The Insurers may move towards the evaluation of their respective unit linked funds done by an independent rating agency with an objective of providing qualitative information to the policyholder as to the assessment of performance of the various unit linked funds to enable the insuring public to choose the product in an informed manner. **This information shall provide the prospects a level of comfort on operational practices, fund management quality, organizational strength of life insurers.** This may be initiated by the life insurers and life insurance council on a voluntary basis.

Chapter –XVIII

Procedure for Implementation and Other provisions

- 64.** The insurers shall follow the following procedure for implementation of this regulation:
- a. All existing products must be examined and ensured that they are in conformity with these Regulations.
 - b. The Chief Executive Officer and the Appointed Actuary will certify such compliance with regard to each product and submit such certificates to the Authority in a consolidated form on or before 30th June, 2013 or 30th September, 2013 as applicable for Group and Individual products.
 - c. In case of products which are non-compliant with the provisions of this regulation:
 - i) the modifications required to confirm to the provisions of this Regulations does not include any change in the benefits offered, premium bases, charges levied or any discounts offered in the products, than the insurer shall carry out such modifications and file the modified File and Use for those products along with the certification of the CEO and the AA that all the entire File and Use after the modification is in conformity with the provision of this Regulations and submit to the Authority before 30th June, 2013. The Authority shall accept the file as final and allot the unique identification number. However, later if such filings are found to be non-complaint with the provisions of this Regulation, the Authority may initiate such action against the said insurer, as deemed appropriate, under the provisions of the Act, the Insurance Regulatory and Development Authority Act, 1999 and the relevant regulations framed there under.
 - ii) For group products, the modifications required to confirm to the provisions of this Regulations include any change in the benefits offered, premium bases, charges levied or any discounts offered in the products, than the insurer shall carry out such modifications and file the modified File and Use for those products along with the certification of the CEO and the AA that all the entire File and Use after the modification is in conformity with the provision of this Regulations and

- v) The various funds offered under this contract are the names of the funds and do not in any way indicate the quality of these plans, their future prospects and returns.
- vi) In view of the paucity of time and space, on the advertisements in the hoardings and posters and in audio visual media, wherever the linked insurance contract has been advertised, point nos. (ii) & (iii) shall have a place invariably.
- e. The advertisements shall not compare funds offered by one insurer with funds offered by another insurer, implicitly or explicitly.
- f. Any advertisement reproducing or purporting to reproduce any information contained in as policy document shall reproduce such information in full and disclose all relevant facts and not be restricted to select extracts relating to that item which could be misleading.
- g. Every advertisement shall comply with IRDA (Insurance Advertisements and Disclosure) Regulations, 2000.

Chapter: XVI

Furnishing of Information

62. Furnishing of Information to IRDA:

- a. All the life insurers shall furnish data in respect of the following information relating to their linked policies to the Authority in a prescribed format every half year (Sept and March), to enable the Authority to monitor the functioning of various options offered under linked policies with respect to each product
 - i) Switching options exercised by the policy holder.
 - ii) Premium redirections exercised by the policy holders.
 - iii) Partial withdrawals allowed.
 - iv) Top-up premiums received.
 - v) Insurance cover multiple granted for each product-- separately for Single Premium and non-Single Premium contracts.
 - vi) Expense ratios and fund performance for each fund.
- b. Every insurer shall send a statement of account, on a half yearly basis, within fifteen days, in respect of policies in force including discontinued policies where the proceeds are yet to be paid to the policyholder or her nominee as the case may be, his last known address, which shall contain the following details :-
 - i) The total premium paid by the policyholder
 - ii) Next due date of the premium
 - iii) Pattern of the investment chosen
 - iv) Pattern of investment
 - v) Status of the policy
 - vi) Total fund value/policy account value
 - vii) Total units
 - viii) Detail of charges recovered.
- c. Further, the above details shall also be submitted separately , in respect of discontinued policies where the proceeds are yet to be paid to the policyholder or her nominee as the case may be, his last known address.

Annexure - V

(Applicable to Linked Products)
(This shall form a part of the policy document)

Proposal No.
Policy No.

PRODUCT FEATURES:

Name of the Product:
Age :
Sum Assured:
Premium Payment Term
Amount of Instalment premium:
Mode :

Unique Identification No.
Service Tax rate:
Policy Term:
Mode of Premium Payment:
Funds opted for:
[Please specify the customer specific fund option]

Statement of Various charges alongwith growth of the Fund expected over the duration of the policy with assumed rate of interest as mentioned

Gross Yield	10%
Net Yield	

(All charges are in Rupees)

Policy Year	Annualised Premium	Premium Allocation Charge	Amount available for investment (out of Premium)	Mortality charge	Service tax	Policy Admin. Charge	Guarantee charge	Other charges	Additions to the fund (if any)	Fund before FMC	FMC	Fund at End	Surrender Value	Death Benefit

Gross Yield	8%
-------------	----

(All charges are in Rupees)

Policy Year	Annualised Premium	Premium Allocation Charge	Amount available for investment (out of Premium)	Mortality charge	Service tax	Policy Admin. Charge	Guarantee charge	Other charges	Additions to the fund (if any)	Fund before FMC	FMC	Fund at End	Surrender Value	Death Benefit

IN THIS POLICY, THE INVESTMENT RISK IS BORNE BY THE POLICYHOLDER AND THE ABOVE INTEREST RATES ARE ONLY FOR ILLUSTRATION PURPOSE.

Notes:-

Insurer shall specify:-

- other charges along with rate/amount.
- fund at the start shall be the amount available for investment in the first year and previous year's end fund for rest of the years.
- fund management charge should be based on the fund management charges applicable to specific funds options.
- the type of additions such as bonus or loyalty addition to the fund.
- for Single Premium / Limited premium payment term policies, amount available for investment column should be left blank from the applicable year.
- through a document (the glossary for various terms of charges used) which should be handed over to the prospect/ policyholder
- that rider charges are not taken into account in this illustration.

I.....(Name), having received the information with respect to the above, have understood the above statement before entering into the contract.

Marketing officials' Signature:
Company Seal:

Policyholders' Signature:

Place:
Date:

Annexure V B

Benefit Illustration
(Applicable to Variable Insurance Products)
(This shall form part of the Policy Document)

- 1 Name of the Product:
2 Unique Identification Number:
3 Par/Non-Par:
4 Minimum Guaranteed Floor rate of Interest:
5 Linked/Non-Linked:
6 Policy Term:

- 6 Mode of Premium:
7 Amount of Instalment premium:
8 Initial Sum Assured:
9 Current Sum Assured:
10 Approved External Index:

Interest Rate declared for the above Period:

* Bonus Rate Declared

Annexure

Statement of Policy Account showing various components under VIP contract for the above period at assumed rate of interests of 8% and 10%

Assuming gross interest rate of 10% p.a.														Assuming gross interest rate of 6% p.a.													
Additions to fund, if any														Additions to fund, if any													
Policy year	Opening Balance of Policy Account at the beginning	Premium Received (Annualized Premium)	Premium Allocation Charge	Policy Admin. Charge	Fund/Policy Account Management Charge	Other Charges	Total Charges	Interest Amount as per the guaranteed floor rate	Additional interest added and non-negative residual interest rate, if any – to be shown separately	* Bonus (Par) and non-negative residual interest rate, if any – to be shown separately	Policy Account Value at the end	Surrender Value	Death Benefit	Fund/Policy Account Management Charge	Other Charges	Total Charges	Interest Amount as per the guaranteed floor rate	Additional interest added and non-negative residual interest rate, if any – to be shown separately	* Bonus (Par) and non-negative residual interest rate, if any – to be shown separately	Policy Account value at the end	Surrender Value	Sum Assured	Death Benefit	Mortality Rider Charge	** Commission Payable		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)		
1																											
2																											
3																											
4																											
5																											
6																											
7																											
8																											
9																											
10																											
11																											
12																											
Net Yield:														Net Yield:													

Information to be furnished by the insurer to the prospect

Insurer shall

Note:

* Applicable for Participating policies only

a. state that the guaranteed interest rate shall be applied on policy account

b. state that the actual interest rate is applicable on the policy account on a..... basis

c. furnish the Other Charges along with the rate and the amount

d. state that the Fund/Policy account management charge shall be applicable to Policy account value

e. state that the Rider and other charges, if any, that are not taken into account for the purpose of Net yield calculation of In this Illustration

f. furnish the glossary of various terms of charges separately

**g. furnish the commission, if any, payable to the agent/broker under the column (26)

Declaration by the Prospect:

I,.....(name), have understood the above statement before purchase of the contract, after the receipt of all the information stated above from the insurer

Note: The above Benefit Illustration for illustration purpose only and is subject to payment of stipulated premiums on the due date.

Signature of the Marketing Official
Company Seal:

Signature of the Policyholder

Place:

Date: