INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY

NOTIFICATION

Hyderabad, the 16th February, 2013

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

F. No. IRDA/Reg./13/71/2013.—*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

1. **Short title and commencement.**
   a. These regulations may be called Insurance Regulatory and Development Authority (Non Linked Insurance Products) Regulations, 2013
   b. They shall come into force on the date of their publication in the Official Gazette.
   c. Unless otherwise provided by these regulations, nothing in these regulations shall deem to invalidate the non-linked insurance policies entered prior to these regulations coming into force.
   d. These regulations shall be applicable to all the products offered by the life insurance companies under the non-linked platform.
2. **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. **"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.
   d. **"Death benefit"** means the benefit, agreed at the inception of the contract, which is payable on death as specified in the policy document.
   e. "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.
   f. **"Employer-Employee group"** means groups where an employer-employee relationship exists between the master policyholder and the member in accordance with the relevant laws.
   g. **"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.

h. **"Limited premium payment products"** means the non 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.

i. **"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.

j. **"Non Employer-Employee Groups" means** groups other than employer-employee where a clearly evident relationship between the member and the group policyholder for services other than insurance exist.

k. **"Regular Premium Products"** means non 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.

l. "**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.

m. **"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/late fee if any, as per the terms and conditions of the policy, upon being satisfied as to the continued insurability of the insured/policyholder on the basis of the information, documents and reports furnished by the policyholder, in accordance with their Board approved Underwriting guidelines.

n. "**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.

o. **"Sales illustrations"** means a document furnished in accordance with life insurance council circular number LC/SP/Ver 1.0 dated 3rd February, 2004.

p. **"Settlement options"** means a facility made available to the policyholder to receive the maturity proceeds in installments in accordance with the terms and conditions are specified in advance at the inception of the contract.

q. **"Single premium products"** means non linked insurance products, where the premium payment is made by a single payment at the inception of the policy.

r. **"Sum Assured on death"** 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.

s. **"Sum Assured on maturity"** means an absolute amount of benefit which is guaranteed to become payable on maturity of the policy in accordance with the terms and conditions of the policy.

t. **"Surrender"** means complete withdrawal/ termination of the entire policy

u. **"Surrender Value"** means an amount, if any, that becomes payable in case of surrender in accordance with the terms and conditions of the policy

v. **"Non-linked Whole Life products"** means non 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 (h) or (k) or (q) stated above.

w. 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

Product structures

3. Product structures: The product structure shall be classified as participating products (herein after referred as "par products") and non-participating products (herein after referred as "non-par products").
4. Par products: Par products shall be as defined in IRDA (Actuarial Report and Abstract) Regulations, 2000 and can be offered only under non-linked platform. Under the par products, the bonus accruals during the term shall be as follows:
   a. Regular bonus shall declared only on an annual basis;
   b. Interim bonus shall be declared at the annual valuation period which shall become payable during the inter-valuation period.
   c. Terminal bonus, if any, declared shall become payable on the specified events agreed in the policy or at the end of the term of the policy.
5. Non-par products: Non-par products may be offered either under a linked platform or a non-linked platform, and are those products which contain the following features:
   a. Non-Linked platform: Individual and Group Savings Variable Insurance Products:
      i) Benefits assured to be payable on the occurrence of a specified event which are explicitly stated at the outset and not linked to any index or benchmark;
      ii) Additional benefits, if any, accrued at regular intervals during the policy term, which are explicitly stated at the outset and not linked to any index or benchmark;
      iii) Subject to Regulation 12 herein, for additional benefits accrued during the term under non-par products:
         (1) benefit accrual shall only be either at the beginning of every quarter or half-year or year as may be stated at the outset, where year shall mean the financial year;
         (2) such benefits to be accrued at the specified frequencies and shall not be linked to any index or benchmark and shall be explicitly stated at the outset.
      iv) Where the benefits under the products depend on regular interest rate credits, all such products shall fall under variable insurance products.
   b. Non-Linked platform: Fund based Groups:
      i) The benefits or interest rates, in respect of fund based Group insurance products:
      (1) shall not be linked to any index or benchmark; and

(2) are explicitly stated in advance at the inception of the policy; and

ii) Additional benefits or additional interest credits, if any, may be accrued either at the beginning of every quarter or half-year or year as may be explicitly defined or stated at the outset with no discretion to the insurer, where year shall mean the financial year.

iii) Where the benefits under the fund based group products depend on regular interest rate credits, all such products shall fall under variable insurance products.

c. Linked platform:

i) Unit Linked insurance products which comply with the definition of "Linked business" in accordance with IRDA (Registration of Indian Insurance companies) Regulations, 2000 and IRDA (Asset Liability Solvency Margin) Regulations 2000, Schedule II-A, Section 1(b).

ii) Variable Linked insurance products which comply with the definition of "Linked business" in accordance with IRDA (Registration of Indian Insurance companies) Regulations, 2000.

Chapter: III

Minimum Death Benefit

6. Minimum Death Benefit: Except for variable insurance products, for all the non-linked individual life insurance products as stipulated in Regulations 4 and 5 (a) herein, the minimum death benefit during the entire term of the policy shall not be less than the sum of Sum Assured on death and Additional Benefits, if any:

a. For the purpose of this provision the minimum Sum Assured on death shall be as per Table 1:

Table: 1

S.No.	Type of product	Age of the life assured	
		less than 45 years	45 years and above
1	Single premium products	Highest of 125% of the single premium or minimum guaranteed sum assured on maturity or any absolute amount assured to be paid on death.	Highest of 110% of the single premium or minimum guaranteed sum assured on maturity or any absolute amount assured to be paid on death.
2	Other than single premium products	Highest of, 10 times the annualised premium or 105% of all the premiums paid as on date of death or minimum guaranteed sum assured on maturity or any absolute amount assured to be	Highest of, 7 times the annualised premium or 105% of all the premiums paid as on date of death or minimum guaranteed sum assured on maturity or any absolute amount assured to be paid on death

		paid on death	

i) For the purpose of this provision, the annualized premium shall be the premium payable in a year chosen by the policyholder, excluding the underwriting extra premiums and loadings for modal premiums, if any.

b. In addition to the minimum sum assured on death as stipulated in 6 (a) herein, the bonus/additional benefits as specified in the policy and accrued till the date of death shall become payable on death, if not paid earlier.

c. The insurer may pay such death benefit in installments over a definite period of time at a defined rate of interest, as approved under the file and use, on the declining balance if such option is provided at the inception of a policy.

d. In case of death due to suicide, within 12 months from the date of inception of the policy, the nominee of the policyholder shall be entitled to at least 80% of the premiums paid or from the date of revival of the policy, the nominee of the policyholder shall be entitled to a minimum of the surrender value / policy account value, as available on the date of death.

e. 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.

f. For policies issued on minor life, the date of commencement of policy and date of commencement of risk shall be same.

g. This provision shall not be applicable to reduced paid-up policies, pension products, all types of immediate annuity products, and decreasing cover term insurance products.

Chapter: IV
Non-Linked Variable Insurance Products

7. **Variable Non-Linked Insurance Products:** Variable insurance products shall be offered in any of the following manner:

a. Individual Non-par;
b. Group Savings Non-Par;
c. Fund based Group Non-par;
d. Individual Par;
e. Group Saving Par;
f. Fund based Group Par.

8. Except for Fund based group products, all Non-Linked Variable Insurance products may only offer the following death benefits:

a. (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 accordance with Regulation 5 of IRDA (Linked Insurance Products) Regulations, 2013

b. A minimum maturity benefit which shall be at least equal to the balance in the policy account together with a terminal bonus, if any, as applicable.

9. **Benefit payable on death/ Benefits offered under the Health Cover**: For variable insurance products, the benefit payable on death/ benefits offered under the Health

Cover shall be in accordance with the Regulation 5 of the IRDA (Linked Insurance Products), Regulations, 2013.

10. Non-Par Variable insurance product:

a. The Variable insurance products shall have a:

i) Guaranteed non-negative interest rate, referred as minimum floor rate and

ii) Non-negative additional interest rate, if any, as stipulated in Regulation 5 herein, which is over and above the minimum floor rate, to be accrued at various points in time as approved in the File and Use clearance accorded by the Authority.

iii) 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 of IRDA (Linked Insurance Products) Regulations, 2013 at the end of each year starting from policy year 5. Such non-negative residual additions shall be determined as:

(1) Gross Investment Yield earned in the shadow account at the end of each policy year less

(2) Actual yield earned in the policy account value, at the end of each policy year less

(3) Yield referred in the reduction in yield at that duration as stipulated in Regulation 37 of IRDA (Linked Insurance Products) Regulations, 2013.

(4) 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.

b. This minimum floor rate, as approved in the File and Use clearance accorded by the Authority, shall be:

i) Guaranteed for the entire term of the policy accumulating on the balance of the policy account;

ii) 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.

c. At each interval, after the minimum floor rate is credited, the non-negative additional interest rate shall be credited to the balance of the policy account value.

d. At the end of each policy year , in order to comply with maximum reduction in yield as stipulated in regulation 37 of IRDA (Linked Insurance Products) Regulations, 2013, after minimum floor rate and non-negative additional interest rate are credited, non-negative residual additions, if any shall be credited to the policy account value.

11. Participating Variable Insurance Products:

a. The Variable insurance products shall have a:

i) Guaranteed non-negative interest rate, referred as minimum floor rate and

ii) Non-negative bonus rate, as an additional interest rate over and above the minimum floor rate to be accrued at various points in time as approved in the File and Use clearance accorded by the Authority.

iii) Non- negative residual additions, if any, shall be credited to the policy account in order to comply with the maximum reduction in yield as stipulated in Regulation 37 of IRDA (Linked Insurance Products) Regulations, 2013 at the end of each year starting from policy year 5. Such non-negative residual additions shall be determined as:

(1) Gross Investment Yield earned in the shadow account at the end of each policy year less
(2) Actual yield earned in the policy account value, at the end of each policy year less
(3) Yield referred in the reduction in yield at that duration as per Regulation 37 of IRDA (Linked Insurance Products) Regulations, 2013
(4) For the purpose of this regulation, the yield earned in the policy account shall be calculated using the money weighted rate of return method at end of each policy year.

b. This minimum floor rate, as approved in the File and Use clearance accorded by the Authority, shall be:
i) Guaranteed for the entire term of the policy accumulating on the balance of the policy account;
ii) 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.

c. At the end of every financial year, the insurer shall also declare regular bonus rates and also terminal bonus rates, if any, in accordance with section 49 of the Insurance Act, 1938 and other regulations and directives of IRDA as applicable to participating products. Once declared, such bonus shall be guaranteed for the remaining term and shall be calculated on the balance of the policy account.

d. At each interval, after the minimum floor rate is credited, the non-negative bonus rate shall be credited to the balance of the policy account value.

e. At the end of each policy year, in order to comply with the maximum reduction in yield stipulated in regulation 37 of IRDA (Linked Insurance Products) Regulations, 2013, after minimum floor rate and non-negative bonus rate are credited, non-negative residual additions, if any, shall be credited to the policy account value.

12. Frequency of accrual of interest rates/bonus:

a. For all modes of premium payment (*viz.,* single premium, annual, half-yearly, quarterly and monthly) the non-negative additional interest rate to be credited shall not be less than quarterly frequency.

b. For all modes of premium payment (*viz.,* single premium, annual, half-yearly, quarterly and monthly) the bonus with respect to the par products shall be declared once a year immediately after the annual actuarial valuation *i.e.,* as on March 31st of each year, with respect to the par products.

c. The minimum floor rate, for par and non-par products, shall be credited to the policy account at a frequency not less than quarterly.

13. Policy Account Value:

a. Every variable non-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 of IRDA (Linked Insurance Products), Regulations, 2013, as applicable to variable insurance products. The guaranteed rate and variable interest rate shall be applicable to the balance of the policy account.

b. 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.

c. The policy account value shall comply with the maximum reduction in yield requirements as stipulated in Regulation 37 of IRDA (Linked Insurance Products), Regulations, 2013.

14. **Charges, Reduction in yield, Discontinuance Terms, Surrender Value, Partial withdrawals and Top-ups**: All the provisions applicable to variable linked insurance products in accordance with the IRDA (Linked Insurance Products), Regulations, 2013 shall be applicable to the non-linked variable insurance products for charges, reduction in yield, discontinuance terms, surrender value, partial withdrawals, top-ups etc.

15. **Separation of assets:**

a. 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.

b. 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.

c. 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.

16. **Furnishing Statements of Accounts**:

a. The statement of policy account shall be sent to the policyholder at least once a year.

b. 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, additional interest earned or bonus accrued, as applicable, non-negative residual interest rate credited and closing balance in the manner prescribed in the **Annexure-I.**

17. **Valuation of Liabilities and Solvency Margin Requirements**: Valuation of liabilities and the solvency margin requirements shall be in accordance with the provisions of IRDA (Actuarial Report and Abstract) Regulations, 2000 and IRDA (Assets, Liabilities and Solvency Margin) Regulations, 2000.

Chapter: V

Administration of Insurance Products

18. Administration of additional benefits and various features of 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 including all policyholder servicing/ payments at day of launch and determination of the reserves and solvency margin as required under the legislation, regulation from time to time 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 processes and suitable infrastructure/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 all the day-to-day operations including all policyholder servicing/payments from day of launch and determination of the reserves and solvency margin as required under the legislation, regulation from time to time etc. The certificate shall be submitted before the launch of the product.

Chapter: VI

Policy Term, Premium Paying Term & Commission

19. Minimum Policy Term: The minimum policy term:

a. For individual products, shall be at least five years and

b. For fund based group products, shall be on annually renewable basis.

20. Premium Payment Term:

a. "Premium Payment Term of Policies: Irrespective of the policy term, all individual non-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"

21. Commissions or remuneration in any form:

a. Commission or remuneration in any form for the procurement of all individual policies, group term insurance, group credit insurance and group saving variable insurance 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 21 (a) shall apply.

Table 21 (a)

Premium paying terms	Maximum Commission or remuneration in any form as % of premium		
	1st 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

Note – (*) The maximum commission or remuneration:

(a) For brokers shall be

(i) 30% in the first year for policies with premium paying term of 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 first year for policies with premium paying term of 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 31 (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 lakhs 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 schemes for the entire year.

c. For single premium group term insurance and single premium Group Credit insurance with long term, the maximum commission or remuneration in any form shall be 2 per cent of premium with a ceiling of Rs.50000/ per scheme.

d. For one year renewable group term insurance and One year Group Health Insurance, the maximum commission or remuneration in any form shall be 2 per cent of premiums paid during the first year and 2 per cent of premium paid during the subsequent renewals with a ceiling of Rs.50000/- per scheme in any year.

e. For the purpose of (b), (c) and (d), insurer and intermediaries shall ensure that the policies shall not be split to breach the ceiling prescribed for the commission.

f. 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 along with the volumes projected for each distribution channel;
    iii) The premium for each such distribution channels arrived independently and altogether combined.

g. Provided where the policies are procured by Direct marketing, no commission shall be payable.

Chapter VII
Pension Products

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

a. Pension products may be offered on any of the following platforms:
    i) Individual Non-linked pension products;
    ii) Group Non-linked pension products;

b. Regulations 26 to 33 of IRDA (Linked Insurance Products) Regulation, 2013 shall be applicable in case of pension products offered under the Non-Linked variable insurance products. And the provisions of this chapter shall be applicable to all non-linked products other than non-linked variable insurance products.

c. **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 as stipulated in the regulation 24 and 25 herein, as applicable.

d. Pension products offered by the insurers may have an insurance cover 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 stipulated in (c) above.

23. Surrender Value and Options on Surrender:

a. For other than non-linked variable insurance products, the surrender value shall be as stipulated in Regulation 35 herein and 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, 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.

24. 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, subject to underwriting if it there is a sum at risk on death.

25. 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;

26. 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 43 herein, additional benefit illustration shall be disclosed to the prospective policyholder as in **Annexure II.**

27. 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;

28. Fund Based Groups Non-Linked Pension Products:

a. For all fund based group non-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 on account of death, retirement or any other exit allowed in accordance with the scheme rules as agreed at the inception of the contract with group policyholder, the insurer shall make payments from the superannuation funds, subject to availability of such funds, as per the terms of the scheme rules applicable to the member who is exiting.

iii) Except for exits as per the scheme rules, no other withdrawals shall be allowed.

b. For all fund based group non-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 on account of death, retirement or any other exit allowed in accordance with the scheme rules as agreed at the inception of the contract with group policyholder, the insurer shall make payments from the superannuation funds, subject to availability of such funds, as per the terms of the scheme rules applicable to the member who is exiting.

iii) Except for exits as per the scheme rules, no other withdrawals shall be allowed.

c. Provisions stipulated in Regulations 23, 24 and 25 herein shall not be applicable to group non-linked pension products; however the benefits on exits shall be subject to the scheme rules.

d. Provisions stipulated in Regulation 31 (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.

29. 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 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
Group Products

30. Group Non-Linked Products:

a. Employer-Employee Group Products: Under the group business, only the following group products shall be permitted for employer- employee groups:

i) Fund based Group Insurance products.
ii) Group Credit Life Insurance products, provided the premiums are aligned with that of Pure Term products with similar term and entry age, and suitably adjusted to the decreasing cover.
iii) Single premium Group Term insurance Products.
iv) Group Savings Variable Insurance Products offered.
v) One year renewable group term life insurance products.
vi) One year renewable group health insurance products.
vii) Group immediate annuity products.

b. Non-Employer-Employee Group Products: Under the group business, only the following group products shall be permitted for Non-employer- employee groups:

i) Group term insurance products with minimum term of 5 years shall be allowed only under the micro-insurance products provided the premiums are aligned with that of Pure Term products with similar term and entry age. The maximum premium shall not exceed Rs.750/- per annum per member under these products.
ii) Group Credit Life Insurance products, provided the premiums are aligned with that of Pure Term products with similar term and entry age, and suitably adjusted to the decreasing cover.
iii) Single premium Group Term insurance Products offered to only non-employer-employee homogenous groups.
iv) Group Savings Variable Insurance Products offered to only non-employer-employee homogenous groups.
v) One year renewable group term life insurance products.
vi) One year renewable group health insurance products.
vii) Government (Central or State) sponsored Group Insurance Products/Schemes.

For the purpose of this regulation, non-employer-employee homogenous groups shall mean:

(1) Any Associations, where the members represent a particular profession/trade/domestic workers/Anganwadi workers;
(2) Government agencies;

(3) Any Co-operative Societies;
(4) Parents of school/college students as members;
(5) Any other groups as may be approved by the Authority;

31. Fund based Group Non-Linked Products

a. Fund based group non-linked products are those which are offered to Employer-Employee groups and consists of:
   i) Group Non-Linked Superannuation Product;
   ii) Group Non-Linked Gratuity Product;
   iii) Group Leave Encashment Product;

b. Provisions stipulated in Regulations 6 herein shall not be applicable to fund based group non-linked products. However, the fund based group non-linked policies stipulated in Regulations 31 (a) (ii) & 31 (a) (iii) herein shall have minimum life cover as approved under File and use Procedure, with an explicit mortality charge levied.

c. The premium with respect to group products 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 non-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 non-linked products may levy a surrender charge not exceeding 0.05 per cent of the total policy account value, with a maximum of Rs. 500, 000/-, if the policy is surrendered within third renewal of the policy.

f. Provisions stipulated in Regulations 34, 35, 36 and Regulation 37 of IRDA (Linked Insurance Products) Regulations, 2013 shall be applicable to fund based group non-linked variable insurance 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 shall be read as "number of years elapsed since renewal of the policy".

g. Fund based group non-linked pension products may offer life insurance cover with an explicit mortality charge levied.

32. Fund Based Group products stipulated in regulation 30 (a) (ii) & (iii) and 30 (b) (i), (ii) & (iii) herein shall acquire surrender value as stipulated in regulation 35 herein, if the premium payment term is either single premium or limited premium paying term.

33. Group Savings Variable Insurance Products:

a. Group saving variable insurance products shall be simple and easy to understand. The following features shall be the minimum mandatory requirements under these products:
   i) The minimum size of the group shall be at least 20 and the maximum size of the group shall not exceed 5000. If the group size is more than 5000, the policy shall

be split appropriately to ensure that the maximum size does not exceed 5000 in any group.

ii) The term of the product shall be at least 5 years.

iii) All the provisions applicable to individual variable insurance products shall be applicable to group savings variable insurance products.

iv) Discounts in premium allocation charges shall be offered for group sizes, premium sizes etc and shall be explicitly stated at the outset.

v) The front page of the Prospectus shall state clearly in bold font the following:
   (1) Minimum premium payment term and Maximum premium payment term;
   (2) Mode of premium payments allowed;
   (3) Minimum premium amount and Maximum premium amount;
   (4) Minimum policy term and Maximum policy term;

vi) The prospectus shall be given to each member of the group before the sale is concluded and specific consent in writing from each member shall be taken for the premium amount, premium paying term, mode of premium payment and the policy term as agreed by the policyholder, except for micro-insurance products. In case of micro-insurance products, the onus lies on the group policyholder to disseminate the information to its members and obtaining written consent.

vii) Provisions stipulated in Regulations 34, 35, 36 and 37 of IRDA (Linked Insurance Products) Regulations, 2013 shall be applicable to group non-linked variable insurance products.

viii) The insurer shall monitor the experience regularly and submit an analysis of all the products in terms of expected and actual experience as an annexure to the Appointed Actuary Annual Report.

ix) In case of surrender of the group policy, the insurer shall give an option to the individual members of the group, on such surrender, to continue the policy as an individual policy and the insurer/intermediary if any, shall continue to be responsible to serve such members till their coverage is terminated.

34. Group Insurance 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 shall be 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. In non-employer-employee cases, the individual group member would be treated as the insured beneficiary and the group policyholder will be only the holder of the group policy. In such cases every care shall be taken by the insurer in the matter of issue of certificate of insurance to the members of the group, who are insured. It is necessary that such certificate contains information on the schedule of benefits, the premium and charges, if any, levied and important terms and conditions of the insurance contract. 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 shall be registered. While the group policyholder may play a role in facilitating the registering and settlement of a claim, the insurer is totally responsible to ensure that the claim payment is made in the name of the insured member or his/her nominee even if the cheque is sent to the group policyholder for administrative convenience or through any other electronic mode of payment to the specific bank account of the insured.

f. In respect of non-employer-employee groups 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. In such cases, the certificate forms shall be supplied by the insurer with in-built security features and in pre-numbered lots to the group organizer or manager. Utilisation and full accounting of the certificate forms should be independently checked by the staff of the insurer every time before furnishing a fresh lot of forms, either by personal verification or based on a certificate by the auditor of the agent.

g. 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 under fund based group policies. 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. 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 conduct a surprise inspection of the books and records of the non employee –employer group policyholder at least once a year to ensure total compliance with this Regulation or require a certificate of such compliance from the auditors of the group policyholder, at least once a year.
(6) 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 or his/her nominee even if the cheque is sent to the group policyholder for administrative convenience or through any other electronic mode of payment to the specific bank account of the insured. This payment shall be made only when the service is rendered.

h. The insurer may make payments directly to the group policyholder for the services rendered as stipulated in (g) herein 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 stipulated in (g) herein 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;

If the business is procured through an intermediary, the remuneration with respect to the functions stipulated in (g) (i), (ii) and (iv) above shall not be paid to the group policyholder, as these functions are part of obligations of an intermediary. However, with respect to the services stipulated in g (iii) above, the services of a group policyholder may be utilized and payment may be made as stipulated in h (iii) above.

i. If the business is procured directly, the insurer:

i) may utilize the services of the group policyholder with respect to the functions stipulated in (g) above and may make payments as stipulated in (h) above.

ii) may pass on the savings, if any, in the commission or remuneration through discount in premium allocation charges.

j. If the business is procured through an intermediary, the remuneration with respect to the functions referred in (g) (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 g (iii), the services of a group policyholder may be utilized and payment may be made as stipulated in h (iii).

k. If the business is procured directly, the remuneration with respect to the functions referred in (g) (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 21 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 21 herein in case of both Single premium products and other than single premium products.

Chapter: IX
Surrender Value

35. Acquisition of Surrender Value under other than variable insurance products: All individual savings and protection oriented products such as non-linked life insurance products, and non-linked pension products, other than pure protection products such as term insurance, health insurance and immediate annuities, shall acquire a guaranteed surrender value and special surrender value, if higher. The guaranteed surrender value shall acquire in the following manner:

a. Products with a Premium Paying Term (PPT) of 10 years or more: If all premiums have been paid for at least three consecutive years, the policy shall acquire a guaranteed surrender value, to which shall be added the surrender value of any subsisting bonus or guaranteed additions, as applicable, already accrued to the policy.

b. Products with a Premium Paying Term of less than 10 years: If all premiums have been paid for at least two consecutive years, the policy shall acquire a guaranteed surrender value, to which shall be added the surrender value of any subsisting bonus or guaranteed additions, as applicable, already accrued to the policy.

c. Other than single premium products: The minimum guaranteed surrender value shall be the sum of guaranteed surrender value and the surrender value of the any subsisting bonus or guaranteed additions, as applicable, already accrued to the policy. The guaranteed surrender value shall be at least:

i) 30% of the total premiums paid less any survival benefits already paid, if surrendered between the second year and third year of the policy, both inclusive.

ii) Subject to (iii), 50% of the total premiums paid less any survival benefits already paid, if surrendered between the fourth year and seventh year of the policy, both inclusive.

iii) 90% of the total premiums paid less any survival benefits already paid, if surrendered during the last two years of the policy, if the term of the policy is less than 7 years.

iv) The surrender value beyond the seventh year shall be filed by the insurer under the File and Use for clearance. Such surrender value shall consider the premiums already paid and the possible asset shares on such products.

d. Single premium products: The guaranteed surrender value shall be the sum of guaranteed surrender value and the surrender value of the any subsisting bonus already attached to the policy. The guaranteed surrender value shall be at least:

i) 70% of the total premiums paid less any survival benefits already paid, if surrendered any time within third policy year.

ii) Subject to (iii), 90% of the total premiums paid less any survival benefits already paid, if surrendered in the fourth policy year.

iii) 90% of the total premiums paid less any survival benefits already paid, if surrendered during the last two years of the policy, if the term of the policy is less than 7 years.

iv) The surrender value beyond the fourth year shall be filed by the insurer under the File and Use for clearance. While determining such surrender value the insurer shall consider the premiums already paid and the possible asset shares on such products.

v) Surrender value of any subsisting bonus already attached to the policy shall be filed and approved under the File and Use explicitly.

e. Every such policy shall show the guaranteed surrender value of the policy at the close of each year after the second year/third year, as applicable of its currency or at the close of each period of three years throughout the currency of the policy in the policy document.

f. A policy which has acquired a surrender value shall not lapse by reason of the non-payment of further premiums but shall be kept alive to the extent of the paid-up sum insured, and the paid-up sum insured shall include in full all subsisting reversionary bonuses that have already attached to the policy.

g. The minimum paid-up value shall be in accordance with the Section 113 of the Insurance Act, 1938.

h. The surrender value shall be the higher of the guaranteed surrender value and the special surrender value.

i. The special surrender value shall represent the asset share in case of the par policies, where the asset share shall be determined in accordance with the guidance or practice standards issued by the Institute of Actuaries of India. For non-par policies the special surrender value shall reflect the experience of the insurer and shall be determined as per the proxy asset share in accordance with the guidance or practice standards issued by the Institute of Actuaries of India.

j. The special surrender value shall be filed with the Authority under File and Use.

k. The fund based group non-linked products may levy a surrender charge not exceeding 0.05 per cent of the fund, with a maximum of Rs. 500, 000/-, if the policy is surrendered within the third renewal of the policy.

l. In case of surrender of the group policy, other than fund based group policies, the insurer shall give an option to the individual members of the group, on such surrender, to continue the policy as an individual policy and the insurer/intermediary if any, shall continue to be responsible to serve such members till their coverage is terminated.

m. The Authority reserves the right to instruct the insurer to withdraw any product any time, if the persistency of the product appears to be low.

Chapter: X
Miscellaneous Provisions

36. **Advance Premium**: Collection of advance premium under non-linked individual products shall not be allowed except in the following cases:
   a. 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.
   b. 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.

37. **Level Premiums:**
   a. Except for fund based 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 under variable insurance products.
   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.

38. **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.

39. **Misleading names**: The misleading and misrepresenting the benefits through the name of the products shall not be allowed.

40. **Benefits offered on Maturity:**
   a. The product literature shall clearly indicate whether the product is protection oriented or savings oriented or a combination of the two.
   b. Where the products offer the maturity benefit as return of premiums paid or a percentage of return of premiums paid or a meager amount in excess of return of premiums paid, these products shall not be termed as savings products.
   c. The maturity benefits shall closely reflect the asset share in case of par products.

41. **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.

42. 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 assumption 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 year.

c. The insurer shall monitor the experience regularly and submit an analysis of all micro-insurance products in terms of expected and actual experience as an annexure to the Appointed Actuary Annual Report.

Chapter: XI
Benefit Disclosure

43. Benefit Disclosure:

a. All insurance products shall provide the prospective policyholder a customized benefit illustration, illustrating the guaranteed and non-guaranteed benefits at gross investment returns of 4% and 8% respectively and as specified by IRDA or Life Insurance Council from time to time.

b. Such benefit illustration shall be signed by both the prospective policyholder & the intermediary and shall form part of the policy document.

c. The benefit illustration as approved under the File and Use Procedure shall be part of the sales literature and shall be furnished to the prospective policyholder along with the sales literature before concluding the sale.

d. In case of non-linked variable insurance products:

i) The benefit illustrations shall be shown as per the gross investment returns of 4% and 8% respectively and subsequently at the rates as prescribed by the Life Insurance Council from time to time and the corresponding net yield shall be demonstrated only with respect to gross investment return of 8% p.a.

ii) The net yield and hence reduction in net yield as calculated, shall be disclosed in the benefit illustration indicating the corresponding gross yield figures.

Chapter: XII
With Profit Fund Management

44. With Profit Fund Management : The Appointed Actuary shall clearly demonstrate in the Actuarial Report and Abstract:

a. That the reinsurance arrangements are appropriate and in the best interests of the with profit policyholders in terms of maximizing the value to with profit funds and minimizing the risks.

b. The appropriateness and prudence in debiting of expenses to with profits funds vis-à-vis other funds; reducing the cross-subsidy between various groups of with profit policyholders; overall financial management of with profits funds and governance of with profits funds.

45. Asset Share:

a. The insurer shall maintain the asset shares, at policy level, and to ensure that only the portion of expenses representing this business shall be allocated to and interest rate credits to these asset shares shall represents the underlying assets of these funds.

b. The Appointed Actuary shall be responsible to determine the asset share for each product in accordance with the guidance or practice standards etc issued by the Institute of Actuaries of India.

c. The detailed working of the asset share, the expenses allowed for, the investment income earned on the fund etc which are represented in the asset share shall be approved by a with profits committee.

d. With Profits Committee: The With Profits Committee shall be constituted with one independent director of the Board, the CEO, the Appointed Actuary and an independent actuary.

e. The report of with profits committee shall be appended to the Actuarial Report and Abstract.

f. The Authority may prescribe the method of allocation of expenses to various funds in consultation with the institutions such as Institute of Actuaries of India, Institute of Chartered Accountants of India etc

Chapter: XIII
Market Value adjustment

46. Market Value adjustment:

a. Market value adjustment shall not be allowed under:

i) Non-linked Individual products and Group savings variable insurance products.

ii) Par and non-par fund based group products where the exits are in accordance with the scheme rules filed with the insurer at the outset, except as specified in (b) below.

b. Market value adjustment may be allowed for par and 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.

c. Market value adjustment shall be defined explicitly & objectively and approved under File and Use. There shall not 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. Market value adjustment shall be applied only if:

i) The assets are earmarked separately for the product;

ii) The revaluation of assets at the time of market value adjustment is carried out on the entire portfolio of assets.

f. 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 and

ii) exit shall mean exit of the member from the group.

Chapter: XIV

Procedure for Implementation and Other provisions

47. 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 30.06.2013 or 30.09.2013 as applicable for Group and Individual products respectively.

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 June, 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 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.

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. In exceptional cases, where the insurer has received a written request from a prospective policyholder opting for a withdrawn individual product, the same may be allowed after obtaining specific approval from the Authority on a case to case basis. However, such provision would be extended for a further period of 6 months only from the dates stipulated in e above.

g. Subject, to (e) above, this regulation shall not invalidate the non-linked individual policies entered prior to this regulations coming into force.

h. 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.

i. 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.

48. 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 thereunder.

49. 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.

50. Repeal and Savings:

a. All the guidelines/clarifications/circulars/letters issued in respect of the non-linked insurance , 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 non-linked insurance contracts entered prior to these regulations coming into force.

51. 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.]

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Annexure I

Statement of Policy Account for the Finacial 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 InitialSum Assured:
10 Current Sum Assured:
11 Appoved 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

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

<u>Information to be furnished by the insurer to the Policyholder</u>

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 managemnet 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	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

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	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 **Prospect's/Policyholder's Signature**
Company Seal
Place
Date

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**	
		for commutation	for annuitization		Assumed Investment Return	
					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

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