



भारतीय बीमा विनियामक और विकास प्राधिकरण
INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY OF INDIA

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Unit Linked Products – Cap on Charges

IRDA had issued a circular on December 21, 2005 regarding various aspects of ULIPs and later issued another circular (dated January 25, 2008) regarding benefit illustration. As of today, almost all insurance companies have a number of ULIPs and under each product there are various charges which are recovered from the contribution or from the fund value. In order to enable the customers to have a clear understanding of the product and to comprehend various features of ULIPs, it is decided that IRDA will prescribe one cap on all charges put together. This will also impart flexibility for the insurers and encourages further product innovation.

Insurance products are long term saving vehicles and the policy prescriptions should help the customers' to move towards long term savings cum protection rather than short term one.

Taking into account the above objectives, IRDA has prescribed the cap on charges. This cap is expressed in terms of the difference between the gross and net yield to the customer. The net yield is the gross yield adjusted for all charges. For insurance contracts which are of a tenor of less than or equal to 10 years duration, the difference between gross and net yields shall not exceed 300 basis points, of which fund management charges shall not exceed 150 basis points. For other contracts, i.e., those whose contract period is above 10 years, the difference between gross and net yields shall not exceed 225 basis points, of which the fund management charges shall not exceed 125 basis points.

[IRDA has issued a circular to the life insurance industry on 22 nd Jul, 2009](#) and this circular also contains the other features which must be observed by the insurers.

The circular comes into effect from October 1, 2009 so that all products which are approved by the IRDA on or after October 1, 2009 will be governed by the provisions of this circular. All existing products that do not meet the requirements of this circular should be withdrawn or modified by 31 st December 2009.

Sd./-

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