Draft Insurance Regulatory and Development Authority of India (Linked Insurance Products) Regulations, 2018.

NOTIFICATION

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 of India (Linked Insurance Products) Regulations, 2018.
- **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 of India (Linked Insurance Products) Regulations, 2018

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 of India 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 grace period expires or the date of surrender 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 grace period.

  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 Value"** means the segregated fund of the insurer that is set aside and is constituted by the fund value/, as applicable, of all the policies discontinued during lock-in period, determined in accordance with this Regulation.
- i) "**Discontinuance charge"** means a charge that does not exceed the limits stipulated in sub-regulation (iv) of regulation 25 (e) herein, expressed as a percentage of one annualized level premium or the single premium or fund 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 Regulation 10 of Insurance Regulatory and Development Authority of India (Protection of Policyholders’ Interests) Regulations, 2017.

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** policy**”** means the linked insurance policy 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 completed 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~~,~~ 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~~.~~

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** policy**”** means linked insurance policy 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 and may include waiver of premium on other applicable riders.

w) “**Revival of a policy”** means restoration of the policy, which was discontinued due to the non-payment of premium, 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 and in accordance~~-~~with Insurer’s Board approved Underwriting policy.

x) “**Revival Period**” means the period of two consecutive complete years from the date of first unpaid premium or date of maturity, whichever is earlier, 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 the IRDAI (Assets, Liabilities and Solvency Margin of the Insurers) Regulations, 2016.

z) **“Settlement options”** means a facility made available to the policyholder under the unit linked products to receive the death or maturity proceeds in installments in accordance with the terms and conditions specified in advance at the inception of the contract.

aa) **“Single premium** policy**”** means linked insurance policy, where the premium payment is made by a single payment at the inception of the policy.

bb) "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.

cc) "Surrender" means complete withdrawal/ termination of the entire policy.

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

ee) "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.

ff) "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.

gg) "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.

hh) "Linked Whole Life policy**"** means linked insurance policy which terminates on death of the life assured or provide coverage up to attainment of age 99 years.

ii) 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.

3) Unit Linked Insurance Products (ULIP):

a) 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 25 herein applicable to the unit linked products.
- iii) The products shall comply with the maximum reduction in yield requirements as referred to in Regulation 27 herein.

b) 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 4 herein.

c) The maturity benefit shall be at least equal to the balance in the unit fund on the date of maturity.

Chapter-III

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

4) 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 4.c that becomes payable:

- **i)** on death or
- **ii)** to make benefits payments under the health cover, as applicable.

b) The table 4.c below specifies the minimum sum assured under linked insurance products where:

   i) AP is Annualized Premium selected by the policyholder at the inception of the policy excluding the taxes, rider premiums and underwriting extra premium on riders, if any.

   ii) SP is the Single Premium which is chosen by the policyholder at the inception of the policy, excluding the taxes, rider premiums and underwriting extra premium on riders, if any.

c) The minimum sum assured shall be at least equal to:

Table 4.c

Type of Products	*Minimum Sum assured*
Life Single Premium (SP) Policy	125 percent of single premium.
Life Regular Premium (RP) including Limited Premium Paying (LPP) Policy	7 times the annualized premiums
Health Regular Premium (RP) including Limited Premium Paying (LPP) Policy	5 times the annualized premium or Rs.100,000 per annum whichever is higher.
Health Single Premium (SP) Policy	125% of Single 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 4.c is not mandatory.

e) Other Conditions:

   i) In case of unit linked insurance products as stipulated in Regulation 3 (b)(ii) herein, on death during the term of the policy, the sum assured payable on death may be reduced, to the extent of the partial withdrawals made during two-year period immediately preceding the death of the life assured. 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.

   ii) In case of death due to suicide, within 12 months from the date of commencement of the policy or from the date of revival of the policy, as applicable, the nominee or the beneficiary of the policyholder shall be entitled to the fund value, as available on the date of intimation.

      (1) Further any risk charges recovered subsequent to the date of death shall be added back to the fund value as available on the date of intimation of death

   iii) In case of fraud or misrepresentation, the policy shall be dealt in accordance with Section 45 of the Insurance Act, 1938.

   iv) For policies issued on minor life, the date of commencement of risk may start anytime on or before the second policy anniversary, or on policy anniversary after attainment of majority whichever is earlier from the date of commencement of the policy

f) 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 rider premiums, underwriting extra on rider, if any, and taxes applicable on premium(s), if any)-and may exclude partial withdrawals made during two year period immediately preceding the death of the life assured.

5) Guarantees on policy benefits:

a) Subject to provisions stipulated in Regulations 4, 19 and 23 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 product filling documents.

Chapter-IV

Policy Term and Premium Paying Term

6) **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 at least one year (annually renewable).

7) **Premium Payment Term:** 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-policy, the premium paying term for all other individual policies shall not be less than 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.

Chapter-V

Discontinuance Terms

8) 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) One-month subject to a minimum of thirty days, in all other cases.

9) Discontinuance of the policy during lock in period:
   a) **For other than single premium policies**, upon expiry of the grace period, in case of discontinuance of policy due to non-payment of premium, the fund value after deducting the applicable discontinuance charges, shall be credited to the discontinued policy fund and the risk cover and rider cover, if any, shall cease.
      i) Such discontinuance charges shall not exceed the charges, stipulated in Regulation 25 (e) herein. All such discontinued policies shall be provided a revival period of two years from date of first unpaid premium. On such discontinuance, Insurer shall be required to communicate the status of the policy, within three months of the first unpaid premium, to the policyholder and provide the following option:
         (1) To revive the policy within the revival period of two years,
      ii) In case the policyholder opts to revive as per (1) herein above but does not revive the policy during the revival period, the proceeds of the discontinued policy fund shall be paid to the policyholder at the end of the revival period.

   iii) In case the policyholder does not exercise the option as set out above, the policy shall continue without any risk cover and rider cover, if any, and the policy fund shall remain invested in the discontinuance fund. At the end of the lock-in period or revival period, whichever is later, the proceeds of the discontinuance fund shall be paid to the policyholder and the policy shall terminate.
   iv) However, the policyholder has an option to surrender the policy anytime and proceeds of the discontinued policy shall be payable at the end of lock-in period or date of surrender whichever is later.
   v) Only fund management charge shall be levied during the revival period.

b) **For single premium policies,** upon receipt of request for surrender, the fund value, after deducting the applicable discontinuance charges, shall be credited to the discontinued policy fund.
   i) Such discontinuance charges shall not exceed the charges, stipulated in Regulation 25 (e) herein.
   ii) The policy shall continue to be invested in the discontinued policy fund and the proceeds from the discontinuance fund shall be paid at the end of lock in period. Only fund management charge can be deducted from this fund during this period. Further, no risk cover shall be available on such policy during the discontinuance period.

Explanation: (i) “Proceeds of the discontinued policies” means the fund value as on the date the policy has discontinued, after addition of interest computed at the interest rate stipulated in Regulation 12 herein.

10) Obligations of an insurer on revival of a policy discontinued during lock-in period:

a) Where the policyholder revives 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, 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. Guarantee charges, if applicable during the discontinuance period, may be deducted provided the guarantee continues to be applicable. 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.

11) **Segregated Discontinued Policy Fund**:

a) Each insurer shall have discontinued policy funds, one for all pension products, one for all life insurance products and one for all health insurance products. Each of these funds shall comprise of all the discontinued policy funds of all the policies offered under the respective linked insurance products.

b) The discontinued policy fund shall be a segregated unit fund.

c) The fund management charge shall not exceed 50 basis points per annum on discontinuance fund.

12) **Minimum Guaranteed Interest Rate**:

a) The minimum guaranteed interest rate applicable to the discontinued fund shall be declared by the Authority from time to time. The current minimum guaranteed interest rate applicable to the discontinued fund shall be 4 per cent per annum.

b) The excess income earned in the discontinued fund over and above the minimum guaranteed interest rate shall also be apportioned to the discontinued policy fund in arriving at the proceeds of the discontinued policies and shall not be made available to the shareholders.

13) **Obligations of the insurer in case of discontinuance of policy after the lock-in-period:**

a) **For other than single premium policies:**

i) Upon expiry of the grace period, in case of discontinuance of policy due to non-payment of premium after lock-in period, the policy shall be converted into a reduced 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. The policy shall continue to be in reduced paid-up status without rider cover, if any. All charges as per terms and conditions of the policy may be deducted during the Revival Period. However, the mortality charges shall be deducted based on the reduced paid up sum assured only.

ii) On such discontinuance, Insurer shall be required to communicate the status of the policy, within three months of the first unpaid premium, to the policyholder and provide the following options:

(1) To revive the policy within the revival period of two years, or

(2) To continue the policy with full risk cover without rider, if any, during the revival period.

iii) In case the policyholder opts for (1) or (2) herein above but does not revive the policy during the revival period, the proceeds of the discontinued policy fund shall be paid to the policyholder at the end of the revival period.

iv) In case the policyholder does not exercise any option as set out above, the policy shall continue to be in reduced paid up status. At the end of the revival period the proceeds of the policy fund shall be paid to the policyholder and the policy shall terminate.

v) However, the policyholder has an option to surrender the policy anytime and proceeds of the policy fund shall be payable.

b) **For single premium policies,** upon receipt of request for surrender, the fund value as on date of surrender shall be payable.

14) **Obligations of an insurer on revival of a discontinued policy after lock-in period**

a) The policyholder can revive the policy, in accordance sub regulation (w) of regulation 1A. Where the policyholder revives the policy, the policy shall be revived restoring the original risk cover 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, excluding unpaid rider premium and underwriting extra on riders, if any, without charging any interest or fee

ii) may levy premium allocation charge as applicable. The guarantee charges may be deducted, if guarantee continues to be applicable.

Chapter: VI

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

15) **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 9 & 13 herein.

ii) Linked Pension Products shall acquire surrender value as stipulated in Regulation 20 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 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.

16) **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/ single premium 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 4.c.
d) Top-up premiums once paid cannot be withdrawn from the fund 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 consistent with minimum sum assured for single Premium.

17) **Partial Withdrawals**:
a) Partial withdrawal shall be allowed only after completion of lock-in period.
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) Fund based Group linked products
d) In case of Linked pension products following are the conditions for partial withdrawal:
   i) Partial withdrawal can be only after completion of lock-in period
   ii) Partial withdrawal amount shall not exceed 25% of the fund value at the time of partial withdrawal
   iii) Partial withdrawal can happen only three times during the entire term of the policy
   iv) Partial withdrawal shall be allowed only against the specified reasons:
      (1) Higher education of children
      (2) Marriage of children
      (3) For the purchase/construction of residential house
      (4) For treatment of critical illnesses of self or spouse
e) Repayment of partial withdrawal may be allowed by the insurer. The repayment of the partial withdrawal shall not be treated as top up premium and therefore no allocation charge shall be applicable on such repayment.
f) Partial withdrawals made shall be allowed from the fund built up on from the top-up premiums, if any, as long as such fund supports the partial withdrawal and subsequently, the partial withdrawals may be allowed from the fund built up from the base premium. The insurer shall have the necessary systems built to identify the funds from the base premiums and funds from top-up premiums.
g) The partial withdrawals shall not be allowed which would result in termination of a contract.

18) **Settlement Options under unit linked products**:

a) The insurer may provide settlement options at the maturity 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 ten years from the date of maturity or the original policy term of the policy whichever is lower. The first instalment under settlement option shall be payable on the date of maturity.
d) The insurer may levy fund management charge during the settlement period and no other charges shall be levied.
e) Switches may be allowed during the settlement period. Partial withdrawals 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.

Chapter VII

Pension Products

19) **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 Death and may have a defined assured benefit payable on Vesting.
   ii) The defined assured benefit, if any, 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 20 herein, as applicable.
c) Pension products offered by the insurers may offer riders during the deferment period.

20) Surrender Value and Options on Surrender / Vesting:

a) On surrender/vesting the policyholder shall exercise one of the following options:
   i) To utilize the entire proceeds to purchase immediate annuity/deferred annuity from the same insurer at the then prevailing annuity rate. However, the policyholder shall be given an option to purchase available annuity from any other insurer who may offer differential annuity rates to such customers.
   or
   ii) To commute up to 60% and utilize the balance amount to purchase immediate annuity/deferred annuity from the same insurer at the then prevailing annuity rate However, the policyholder shall be given an option to purchase available annuity from any other insurer who may offer differential annuity rates to such customers subject to directions as may be issued from time to time by the Authority.
   iii) For (i) and (ii) above, the purchase of annuity shall be subject to terms and conditions under the product. In case the proceeds of the policy either on surrender or vesting is not sufficient to purchase minimum annuity as defined in section 3(a) of IRDAI (Minimum Limits for Annuities and Other Benefits) Regulations, 2015, as amended from time to time, such proceeds of the policy may be paid to the policyholder/beneficiary as lump sum.

21) **Options to the Nominee/ Beneficiary on death of the policyholder**:

a) If the policyholder dies during the deferment period, the nominee/beneficiary shall exercise one of the following options:

i) Withdraw the entire proceeds of the policy. The insurer may provide a settlement option to take the proceeds of the policy in instalments over a period not exceeding 5 years.

or

ii) To utilize the entire proceeds of the policy or part thereof for purchasing an immediate annuity/ deferred annuity at the then prevailing annuity rate from the same insurer. However, the nominee/beneficiary shall be given an option to purchase annuity from any other insurer at the then prevailing annuity rate.

iii) The purchase of annuity shall be subject to terms and conditions of the product.

iv) In case the proceeds of the policy is not sufficient to purchase minimum annuity as prescribed by the Authority from time to time, the proceeds of the policy may be paid as lump sum.

22) **Fund Based Group 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) The insurer shall make payments from such funds only subject to the availability of funds in the respective unit fund of the respective group policyholder's superannuation fund.

ii) 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 maintains individual member accounts:

i) The insurer shall make payments from such individual member funds only subject to the availability of funds in the respective unit fund of the respective member of the group policyholder.

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

c) Provisions stipulated in Regulations 20 and 21 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 29 (d) herein shall apply in case of complete surrender of the policy.

23) **For the purpose of Pension Products under this Chapter**:

a) An assured benefit on death shall be a non-zero positive rate of return on the premiums paid, excluding applicable taxes if any, from the date of payment to date of death.

b) The prevailing annuity rate shall mean the annuity rates that are approved by the Authority.

c) Commutation shall mean 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

24) Charges:

a) The life insurers shall use uniform definitions for charges under all the linked products in accordance with this regulation.

b) Except for single premium products, in all other products, the overall charges in all linked products shall be distributed 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 3 times. However, the Premium Allocation Charges in any year shall not exceed 12.5% of Annualized Premium.

25) 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. 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.

   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

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.

d) **Policy Administration Charge**: This charge shall represent the expenses other than those covered by premium allocation charges and the fund management charge. 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 cancelling units for equivalent amount.

   ii) 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 not exceed 5% per annum.

e) **Surrender Charge or Discontinuance charge**

   i) This is a charge levied on the unit fund where the policyholder opts for complete withdrawal of the contract as stipulated in Regulation 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).

   iii) No discontinuance charges shall be imposed on top-up premiums.

   iv) The charges levied on the date of discontinuance (as a percentage of Fund Value or one annualized premium or a percentage of single premium) shall 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. 50,000/-*	*Maximum Discontinuance Charges for the policies having annualized premium above Rs. 50,000/-*
1	Lower of 20% * (AP or FV) subject to a maximum of Rs. 3000	Lower of 6% * (AP or FV) subject to a maximum of Rs. 6000
2	Lower of 15% * (AP or FV) subject to a maximum of Rs. 2000	Lower of 4% * (AP or FV) subject to a maximum of Rs. 5000
3	Lower of 10% * (AP or FV) subject to a maximum of Rs. 1500	Lower of 3% * (AP or FV) subject to a maximum of Rs. 4000
4	Lower of 5% * (AP or FV) subject to a maximum of Rs. 1000	Lower of 2% * (AP or FV) subject 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. 3,00,000/-	Maximum Discontinuance Charges for the policies having Single Premium above Rs. 3,00,000/-
1	Lower of 2% *(SP or FV) subject to a maximum of Rs.3000/-	Lower of 1% *(SP or FV) subject to a maximum of Rs.6000/-
2	Lower of 1.5% *(SP or FV) subject to a maximum of Rs. 2000/-	Lower of 0.5% *(SP or FV) subject to a maximum of Rs. 5000/-
3	Lower of 1% *(SP or FV) subject to a maximum of Rs.1500/-	Lower of 0.25%* (SP or FV) subject to a maximum of Rs. 4000/-
4	Lower of 0.5% *(SP or FV) subject to a maximum of Rs. 1000/-	Lower of 0.1% *(SP or FV) subject to a maximum of Rs. 2000/-
5 and onwards	Nil	Nil

AP- Annualized Premium
SP-Single Premium
FV- Fund Value

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 executing the switch.

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 charge table shall be guaranteed during the contract period and morbidity charges may be reviewed during the term of the policy, as per the IRDAI (Health Insurance), Regulations 2016 or any other circular/guidelines which may be issued by the Authority from time to time.
   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.
   iv) In order to promote better health of insured lives the insurers may offer discounts on mortality/morbidity charges to the policyholder depending upon the progress of the health score of the policyholder. The insurer may use wearable/portable devices technology to capture health score of the policyholder during the term of the policy.

   Provided further, the costs towards the above are factored into the pricing of the underlying product during the product filing process.

h) **Rider charge/Rider Premium**:

   i) Both linked and non-linked riders as approved by the Authority can be attached to the linked products provided the premium payment term and policy term of the riders is consistent with premium payment term and policy term of the base unit linked product.
   ii) Within a product, cost of rider cover can be levied through rider charge or level rider premium, but not both. This should be explicitly mentioned in policy document & other filing documents.
   iii) The level rider premium shall be levied in addition to the base premium.
   iv) The rider charge is exclusive of expense loadings and levied separately to cover the cost of rider benefit. 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. The rider charge table shall be form part of the policy document. 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

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 flat amount. For unit linked products, this shall be levied by cancellation of units.

ii) This charge is levied only at the time of alteration.
Example: Rs.100/- for any alteration such as increase in sum assured, change in premium mode etc.

26) **Other conditions on Charges:**

a) The charges as approved by the Authority shall not be modified or changed without obtaining the prior approval of the Authority.

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.

27) Difference between Gross Yield and Net Yield for all linked products:

a) While filing the product, the insurer shall demonstrate that, the maximum reduction in yield for policies for each year starting from end of the fifth policy year until end of the policy term shall be in accordance with the Table 27 a.

Table: 27 a.

Number of years completed 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) For the purpose of demonstration of maximum reduction in yield as stipulated in 27 a above, the insurer shall demonstrate in the filing documents the compliance to reduction in yield in (a) for gross investment returns as prescribed by the Authority from time to time for all representative model points. Currently, the gross investment return for the purpose of such demonstration is 6% p.a. and 15% p.a.

c) At the time of maturity or exit due to any reason 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 to prescription of 27 (a) above.

28) 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 product filing document.

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 fund value at the policy year of demonstration shall give the effective net yield per annum expected to be earned on the contract at the point of sale.
d) As the policyholders' behaviour with regard to options under Linked products, for example, partial withdrawals, premium redirection, switches, settlement options, top up premium etc. affect the net yield; such options may be ignored throughout the term of the contract of demonstrating the net yield.

Chapter: IX

Fund Based Group Linked Products

29) Fund Based Group Linked Products

a) Group linked fund based products are those offered under a group platform.
b) Provisions stipulated in Regulations 4, 8 to 14, 16, 17 and 18 shall not be applicable to fund based group linked products. However, the group linked policies under group gratuity and group leave encashment shall have life cover depending on the needs of the group.
c) The contributions/premiums to group schemes by the master policyholder shall be made in accordance with the funding requirements as per the scheme rules. The trustee/employer shall be required to confirm that such funding is required as per the extant accounting standard governing the measurement of long term employee benefits. The master policyholder may not pay future contributions/premiums under the policy and the policy shall not be treated as discontinued. However, the premium to provide life coverage to members shall either be paid explicitly or deducted from the fund.
d) The fund based group 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.
e) Fund based group linked products may offer life insurance cover.
f) Provisions stipulated in Regulations 24, 25, 26 and 27 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.

30) **Fund Based Group Linked Products Administration**:

a) The group insurance schemes shall be administered in compliance with the directions issued from time to time regarding data management, collection of premium, issuance of certificate of insurance, claim settlement, reimbursement of expenses to master policy holders and other administrative matters.

Chapter X

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

31) 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.*

32) 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.

33) **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

34) Administration of linked insurance products:

a) 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 to the Authority before the launch of the product.

Chapter XII

Miscellaneous Provisions

35) Level Premiums:

a) Except for group products, the premium chosen at the outset shall become payable throughout the premium paying term of the policy. Such premium shall be level / uniform and shall not vary over the term of the policy.
b) After payment of premiums for first five completed policy years the policyholder may be given an option to decrease the premium by a maximum of 50% of the original Annualized Premium, subject to the minimum premium limits under the product of the insurer. Once reduced, the premium cannot be subsequently increased. The death benefit shall be reduced proportionately based on reduced Annualized Premium. Sustainability of the policy due to reduction of premiums shall be demonstrated at the time of filing.
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.

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

37) 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.

38) 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.

39) **Market Value adjustment**:

a) Market value adjustment shall not be allowed under unit linked products as the payment to the policyholder is determined by the fund value which is market value of the assets.

40) **Linked Health Insurance Products**:

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

41) **Approval of Innovative products**:

a) Innovative products can be defined as the products which are uncommon in the market.

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 versus its corresponding benefits. The same shall be demonstrated to the Authority during filing of the innovative product.

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 financially unviable, the Appointed Actuary shall revise the product under product approval procedure.

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.

43) 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, 3years, 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 XIII

Market Conduct

44) **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:

a) **Allocations (premium allocations, switch in)**:

i) 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.

ii) 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.

iii) 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.

iv) 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.

b) **Redemptions**:
   i) 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.
   ii) 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.

<u>Chapter –XIV</u>

Procedure for Implementation and Other provisions

45) The insurers shall follow the following procedure for implementation of this regulation:
   a) All existing products can continue to be open to new business for a period of maximum of 2 years from the date of notifications of these Regulations.
   b) All new products filed after date of notification with Authority shall comply with these Regulations.
   c) Existing products need to be withdrawn or modified to comply with these Regulations during the transition period.
   d) The Authority may issue guidelines/circulars with regards to procedure for modification of existing products to comply with these Regulations.

46) **Action in case of Default:**
   a) Where any product or feature of a product is cleared by the IRDAI, 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 product feature is found not to be consistent with policyholder interests.

47) **Power to issue directions /clarifications:**
   a) In order to remove any difficulties in respect of the application or interpretation of any of the provisions of these regulations, the Chairperson of the Authority may issue appropriate circulars, directions, clarifications or guidelines, as and when required.

48) Repeal and Savings:
   a) The IRDA (Linked Insurance Products) Regulations, 2013 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.