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

NOTIFICATION

F. No. IRDA/Reg/xx/xx/xxxx :- 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 of India (Non-Linked Insurance Products) Regulations, 2018.
   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 of India, 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) “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.
   e) "Death benefit" means the benefit, agreed at the inception of the contract, which is payable on death, as specified in the policy document.
   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 & conditions of the policy. The grace period for payment of the premium for all types of non-linked insurance policies, except single premium policies shall be: fifteen days, where the policyholder pays the premium on a monthly basis; and one-month subject to a minimum of thirty days, in all other cases.

h) "Limited premium payment policy" means the non-linked insurance policy other than single premium products, where the premium payment period is less than the policy term, and premiums are payable at regular intervals.
i) "Maturity benefit" means the benefit, which is payable on maturity as specified in the policy document. For participating products, in addition to the sum assured on maturity, the bonus/additional benefits as specified in the policy and accrued till the date of maturity shall become payable as part of the maturity benefit, if not paid earlier.
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) "Non-linked Whole Life policy" means non-linked insurance policy, which do not have a definite policy term and the policy terminates on death of the life assured or on policy anniversary following attainment of age 99 years.
l) "Regular Premium Policy" means non-linked insurance policy, where the premium payment is throughout the policy term of the product, and premiums are payable at regular intervals.
m) "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 benefit on other applicable riders. Both linked and non-linked riders as approved by the Authority can be attached to the non-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 product.
n) "Revival of a policy" means restoration of the policy, which was discontinued due to the non-payment of premium/s, 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 on revival and in accordance with Insurer’s Board approved Underwriting policy.
o) "Revival Period" means the period of five consecutive years from the date of first unpaid premium, during which period the policyholder is entitled to revive the policy which was discontinued due to the non-payment of premium.
p) "Settlement options" means a facility made available to the policyholder/beneficiary to receive the maturity and/or death proceeds in instalments, in accordance with the terms and conditions as specified in advance at the inception of the contract. The instalments can be linked to an external benchmark, as applicable on the date of maturity and/or date of intimation of death, and the sum total of all such instalments shall not be less than such maturity/death benefit. The first instalment shall be on the date of maturity.
q) "Single premium Policy" means non-linked insurance policy, where the premium payment is made by a single payment at the inception of the policy.
r) "Sum Assured on death" means the Sum Assured, 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 the Sum Assured, 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) "Total Premium paid" means total of all the premiums received, excluding any extra premium, in respect of substandard classification, any rider premium and taxes.

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 the IRDAI (Actuarial Report and Abstract) Regulations, 2016 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 be 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 or other forms of bonus, if any, shall become payable on the specified events or at the end of the term of the policy.

5) Non-par products: Non par products are those products which contain the following features:
   a) Non-linked Individual & Group Products:
      i) The benefits or interest rates under such products:
         (1) shall not be linked to any index or benchmark; and
         (2) shall be explicitly stated or specified as a method in advance at the inception of the policy;
      ii) The benefits or interest rates may be accrued at the end or at the beginning of either every month or quarter or half-year or year as may be explicitly defined or stated in the product approval procedure, with no discretion to the insurer, where year shall mean the financial year,

CHAPTER-III

MINIMUM DEATH BENEFIT

6) **Minimum Death Benefit:** For all the non-linked individual life insurance products, the minimum Sum Assured on death during the entire term of the policy shall not be less than 7 times the annualized premium, irrespective of age for limited / regular premium products, and 1.25 times the single premium for single premium products. 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.
   a) For the participating products, in addition to the sum assured on death, the bonus/additional benefits as specified in the policy and accrued till the date of death shall become payable on death as part of the death benefit, if not paid earlier.

However, for other than single premium products, the minimum death benefit shall be at least 105% of the total premiums received as on the date of death.

b) The insurer may pay such death benefit in lump sum or in instalments under the settlement option.

c) In case of death due to suicide, within 12 months

   i) from the date of commencement of risk under the policy, the nominee or beneficiary of the policyholder shall be entitled to at least 80% of the total premiums paid, provided the policy is in force or

   ii) from the date of revival of the policy, the nominee or beneficiary of the policyholder shall be entitled to an amount which is higher of 80% of the total premiums paid till the date of death or the surrender value/policy account value as available on the date of death.

   iii) In case of variable insurance products, any changes recovered subsequent to the date of death shall be paid-back to the nominee or beneficiary along with the death benefit.

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

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

f) The provision of minimum death benefit shall not be applicable to reduced paid-up policies, pension products, all types of annuity products, and decreasing cover term insurance products. However, for all individual pension products and deferred annuity products during deferment period, the minimum benefit payable on death shall not be less than 105% of all premiums paid as on death.

CHAPTER: IV

NON-LINKED VARIABLE INSURANCE PRODUCTS

7) Variable Non-Linked Insurance Products

   a) Except for Fund based group products, all Non-Linked Variable Insurance products shall offer the following benefits:

      i) The sum assured as agreed in the policy plus the balance in the policy account or

      ii) Higher of the sum assured as agreed in the policy or the balance in the policy account, on death.

   b) The sum assured on death shall be consistent with the provision stipulated in accordance with Sub-Regulation 6 of this Regulation.

   c) The maturity benefit shall be at least equal to the balance in the policy account.

8) Variable insurance product (VIP)

   a) The product can have charges as allowed under the Sub-Regulations 10 below.

   b) After the due charges (premium allocation charge, policy administration charge, etc.), the net premium shall be credited in to the policy account.

   c) Mortality and/or morbidity cost can be deducted from the policy account or collected additionally along with the premium. There shall not be any expense loading in the mortality/ morbidity charge/premium, except for commissions and rewards in mortality/ morbidity premium.

d) For Non Par VIP products, the insurer shall declare interest rates either, at the beginning or end of the period (monthly, quarterly, half-yearly or yearly), which shall be credited to the policy accounts for the period the monies remain invested in the account.

e) For Par VIP products, the insurer shall declare non-negative bonus at the end of the year, which shall be credited in to the policy accounts for the period the monies remain invested in the account.

9) 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 Sub-Regulation 10 below, as applicable to variable insurance products. The interest rate declared shall be applicable to the balance of the policy account.

b) The policy account value shall comply with the maximum reduction in yield requirements as stipulated in Sub-Regulation 10 below.

10) Charges, Reduction in yield, Discontinuance Terms, Surrender Value, Partial withdrawals and Top-ups

a) Charges**:** The charges that may be levied under the variable insurance products are as follows:

i) Premium Allocation Charge: This is a percentage of the premium appropriated towards charges from the premium received. The balance amount known as allocation rate constitutes that part of premium which shall be credited to the policy account. The percentage shall be explicitly stated and could vary by the policy year in which the premium is due, the premium size and the premium type (regular, single or top-up premium).

ii) Fund Management Charge (FMC) shall be levied as a percentage of the policy account value and shall be appropriated to the policy account value.

iii) Guarantee Charge: The insurer shall not levy any guarantee charge.

iv) Policy Administration Charge: This charge shall represent the expenses other than those covered by premium allocation charges and the fund management expenses, and shall be levied at the beginning of each policy month from the policy account value. This is a charge which may be expressed as a fixed amount or a percentage of the premium or a percentage of sum assured; which, again, may be inflating or non-inflating.

v) Mortality/Morbidity charge: This is the cost of life/health insurance cover. It is exclusive of any expense loadings and levied separately. This charge, if any, shall be levied at the beginning of each specified duration from the policy account value, unless when paid separately as mortality/morbidity premium.

vi) Rider charge – This is the rider charge which is exclusive of expense loadings and levied separately to cover the cost of rider cover. This charge is levied at the beginning of each specified duration from the policy account value, unless when paid separately as rider premium.

vii) Discontinuance Charge: The charge levied on the date of discontinuance (as a percentage of one annualized premium or of single premium) shall not exceed the limits specified below.

(1) For regular/limited premium payment policies:

Policy is discontinued during the policy year	*Maximum Discontinuance Charges for the policies having AP up to Rs. 50,000/-*	*Maximum Discontinuance Charges for the policies having AP above Rs. 50,000/-*
1	Lower of 20% * (AP or PAV) subject to a maximum of Rs. 3000	Lower of 6% * (AP or PAV) subject to a maximum of Rs. 6000
2	Lower of 15% * (AP or PAV) subject to a maximum of Rs. 2000	Lower of 4% * (AP or PAV) subject to a maximum of Rs. 5000
3	Lower of 10% * (AP or PAV) subject to a maximum of Rs. 1500	Lower of 3% * (AP or PAV) subject to a maximum of Rs. 4000
4	Lower of 5% * (AP or PAV) subject to a maximum of Rs. 1000	Lower of 2% * (AP or PAV) subject maximum of Rs. 2000
5 and onwards	Nil	Nil

(2) For single premium policies:

Policy is discontinued during the policy year	*Maximum Discontinuance Charges for the policies having SP up to Rs. 3,00,000/-*	*Maximum Discontinuance Charges for the policies having SP above Rs. 3,00,000/-*
1	Lower of 2% *(SP or FV/policy account value) subject to a maximum of Rs.3000/-	Lower of 1% *(SP or FV/policy account value) subject to a maximum of Rs.6000/-
2	Lower of 1.5% *(SP or FV/policy account value) subject to a maximum of Rs. 2000/-	Lower of 0.5% *(SP or FV/policy account value) subject to a maximum of Rs. 5000/-
3	Lower of 1% *(SP or FV/policy account value) subject to a maximum of Rs.1500/-	Lower of 0.25%* (SP or FV/policy account value) subject to a maximum of Rs. 4000/-
4	Lower of 0.5% *(SP or FV/policy account value) subject to a maximum of Rs. 1000/-	Lower of 0.1% *(SP or FV/policy account value) subject to a maximum of Rs. 2000/-
5 and onwards	Nil	Nil

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

viii) Partial withdrawal charge – This is a charge levied on the fund at the time of part withdrawal of the account value during the contract period.

ix) Miscellaneous charge: This is a charge levied for any alterations within the contract, such as, increase in sum assured, premium redirection, change in policy term, or any other as specified in the product approval procedure. The charge is expressed as a flat amount.

b) Reduction in yield

i) Reduction in Yield (RIY) is the difference between the Gross Yield and Net Yield in the policy account.

ii) The maximum reduction in yield for policies shall be as per the table given below:

*Number of years elapsed since inception **or** end of policy term*	*Maximum Reduction in Yield (Difference between Gross and Net Yield (% p.a.))*
5	4.50%
6	4.00%
7	3.75%
8	3.50%
9	3.25%
10	3.15%
11 & 12	2.75%
13 & 14	2.50%
15	2.25%

iii) The above mentioned maximum reduction in yields criteria shall be applicable for maturing policies also, based on the year of maturity.

iv) The products at the product-pricing stage shall comply with the maximum reduction in yield requirements. The insurer shall demonstrate in the product approval procedure, the compliance of reduction in yield in b. above for gross investment returns of 6% p.a., 8% and 10% p.a.

v) Mortality and Morbidity charges (and any GST or such other applicable taxes) shall be excluded in the demonstration of the net yield.

c) Charges during the first 5 years of the policy shall be such that the maximum reduction in yield criterion shall be achieved without any further addition to the policy account during the first 5 years of the policy.

d) Discontinuance Terms, Surrender Value and Partial withdrawals, Top-ups, etc

i) Discontinuance Terms:

(1) A variable insurance product shall lapse or became paid-up as per the provisions of non-linked products.

(2) They can be revived by the policyholder as per the revival period and the board approved underwriting policy of the insurer.

(3) In a paid-up policy, the policy account shall continue to be credited with the interest rate declared as due along with levying of any due charges. A lapsed policy shall not accrue any interest declared and no charges will be levied.

(4) No late fee shall be collected for the period the policy was lapsed or paid-up.

(5) On revival of a lapsed policy, the policy account value as it existed on the date of lapse shall be reinstated. All premiums (including mortality premium and rider premiums) need to be paid for revival.

ii) Surrender Value: Surrender shall be allowed immediately, once a policy has acquired paid-up value. The surrender charges/penalty shall be as per the terms and conditions of the product. The details of the surrender charge/penalty shall be disclosed in policy document and sales literature of the product.

iii) Partial withdrawals, Top-ups and such other options may be allowed in a variable insurance product.

11) 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 for each financial year to the policyholder giving the breakup of the opening balance, premium received, deductions towards charges, interest earned or bonus accrued, as applicable, and closing balance in the manner as specified by the Authority.

CHAPTER: V

ADMINISTRATION OF INSURANCE PRODUCTS

12) Administration of additional benefits and various features of insurance products:
   a) 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-today 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

13) Minimum Policy Term: The minimum policy term:
   a) For individual savings products and group savings products, shall be at least five years.
   b) For fund based group products shall be at least one year (on annually renewable basis).
   c) Insurers may design products which offer a range of policy terms with respect to individual term, group term, group credit and micro insurance products.

14) 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) For individual saving and group savings insurance products, other than single premium products, the premium paying term shall not be less than 5 years.
      ii) Insurers may design products which offer a range of premium payment terms with respect to individual term, group term, group credit and micro insurance products.
      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 VII

PENSION PRODUCTS

15) General Provisions with respect to Pension 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) 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 16 and 17 herein, as applicable.

c) Pension products offered by the insurers may offer riders during the deferment period.

16) 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 by the Authority.

   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 are 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

17) Options to the Nominee on death of the policyholder

a) If the policyholder dies during the deferment period, the nominee shall exercise one of the following options:
   i) To utilize the entire proceeds of the policy or part thereof for purchasing an annuity at the then prevailing rate or
   ii) Withdraw the entire proceeds of the policy;

18) 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 may 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 or provisions as allowed 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 maintains individual member accounts:
   i) There may 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 16 and 17 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 21(f) 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 any insurer to purchase available annuity as per the provisions of Section 19 of this Regulation.

CHAPTER: VIII

ANNUITY PRODUCTS

19) Annuity Products
   a) Under the immediate annuity, the following guaranteed for life annuity options shall be permitted under individual and group business:
      i) Life annuity
      ii) Life annuity with Return of Purchase Price
      iii) Annuity Certain for a specific period (period as approved under the product approval procedure) and life thereafter
      iv) Joint Life annuity with a provision of 100%, 50% or such other percentages of annuity to Secondary Annuitant on death of the Primary Annuitant and Return of Purchase Price on death of Last Survivor
      v) Joint Life annuity with a provision for 100% or 50% or such other percentages of annuity to Secondary Annuitant on death of the Primary Annuitant.
      vi) Any other annuity, as approved by the Authority
   b) However, every annuity product shall have at least options (i) and (ii) mentioned above
   c) Any other annuity type as approved by Authority.

CHAPTER: IX

GROUP PRODUCTS

20) Group Non-Linked Products
   a) Employer-Employee Group Products: The following group products shall be permitted for employer- employee groups:
      i) Fund based Group Insurance products
      ii) Group Credit Life Insurance products,
      iii) Single Premium Group Term Insurance Products.
      iv) Group Savings Products
      v) One-year renewable group term life insurance products.
      vi) One-year renewable group health insurance products.
      vii) Group immediate annuity products with the options prescribed under Regulation 19 herein.
      viii) Other group products as allowed by the Authority.
   b) Non-Employer-Employee Group Products: The following group products shall be permitted for Non-employer- employee groups:
      i) Group term insurance products
      ii) Group Credit Life Insurance products
      iii) Single Premium Group Term Insurance products
      iv) Micro insurance products.
      v) One-year renewable group health insurance products.
      vi) Government (Central or State) sponsored Group Insurance Products/Schemes.
      vii) Other group products as allowed by the Authority.

21) Fund based Group Non-Linked Products:
   a) Fund based group non-linked products consist of:
      i) Group Non-Linked Superannuation Product;
      ii) Group Non-Linked Gratuity Product;
      iii) Group Leave Encashment Product;
      iv) Group Post-Retirement Medical-Benefit Schemes
      v) Other group products as allowed by the Authority
   b) The above products may also be offered to non-employer-employee homogeneous groups such as professional bodies, occupational groups, cooperative societies or any other group as may be allowed by the authority.
   c) Provisions stipulated in Regulation 6 herein shall not be applicable to fund based group non-linked products. However, the fund based group non-linked policies stipulated in Regulation 21 (a) herein, other than 21 (a) (i), shall have minimum risk cover as approved under product approval procedure, with an explicit mortality charge levied.
   d) The premium with respect to group products shall be made in accordance with the funding requirements as per the scheme rules. The trustee / employer / policyholder shall be required to confirm that such funding is required as per extant accounting standard governing the measurement of long term employee benefits.
   e) The fund based group non-linked products may allow any top-ups as per the scheme rules,

f) 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. 5,00,000/-, if the policy is surrendered within third renewal of the policy.

22) Fund based group non-linked pension products may offer risk cover with an explicit premium for the cover.

23) 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.

24) Fund Based Group products stipulated in Regulations 20 (a)(ii) (iii) and 20 (b) (ii), (iii) & (iv) herein shall acquire surrender value as stipulated in Regulation 25 (j) in particular, if the premium payment term is either single premium or limited premium paying term.

CHAPTER: X

SURRENDER VALUE

25) Acquisition of Surrender Value under other than variable insurance products

a) 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 annuity products, shall acquire, both, a guaranteed surrender value and special surrender value, if higher. The guaranteed surrender value shall acquire in the following manner:

b) 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 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 already attached to the policy, provided further that such minimum surrender value of the subsisting bonus shall not be less than 30% or as prescribed by the Authority from time to time.

d) The guaranteed surrender value shall be at least:

   i) 35% 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 product approval procedure and with reference to Sub-Regulation 26 below. Such surrender value shall follow a smooth progression and converge to at least 90% of the total premiums paid as the policy approaches maturity.

e) 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, provided further that the minimum surrender value of the subsisting bonus shall not be less than 30% or as prescribed by the Authority from time to time.

f) The guaranteed surrender value shall be at least:

i) 75% 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 and with reference to Sub-Regulation 26 below. Such surrender value shall follow a smooth progression, and converge to at least 90% of the premium paid as the policy approaches maturity.

v) Surrender value of any subsisting bonus already attached to the policy shall be approved under the product approval procedure.

g) 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.

h) 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.

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

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

k) The guaranteed surrender value in respect of group products stipulated in Regulation 20 (a)(ii) (iii) and 20 (b) (ii), (iii) & (iv) herein shall consider the premiums already paid and the possible proxy asset shares on such products.

26) Special Surrender Value

a) 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 including single and limited pay pure protection policies, the special surrender value shall reflect the guaranteed benefit under the policy and shall be determined as per the proxy asset share.

27) Surrender Value in VIP products
   a) The surrender value under a VIP will be based on the policy account value and shall be as mentioned in compliance with Regulation 10(d)(ii) herein.

CHAPTER: XI

MISCELLANEOUS PROVISIONS

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

29) 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) The insurer shall demonstrate that the maturity value is at least 100% of total premiums paid, at a growth rate as prescribed by the Authority from time to time.

30) 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.
   c) The insurer shall submit to the Authority, the product design concept of the proposed innovative product and other details along with justification.

31) 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.
   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.

32) Benefit Disclosure:
   a) Except for products where all the benefits are assured in absolute amounts at the outset of the contract, all other 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% or as may be specified by IRDAI 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 product approval 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 IRDAI 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

33) With Profit Fund Management

a) With-Profit Committee
   i) The With-Profits committee shall be constituted with one Independent Director of the Board, the CEO, the Appointed Actuary and an Independent Actuary.
   ii) In determining the discretionary benefits payable under With-Profit business, the With-Profit committee shall seek advice from the Appointed Actuary and the Independent Actuary.
   iii) The With-Profit committee shall review the method and basis used for determining such discretionary benefits and recommend the discretionary benefits to the board for approval.
   iv) The Appointed Actuary shall be responsible to determine the asset share for each product in accordance with the guidance or practice standards issued by the Institute of Actuaries of India or as specified by the Authority from time to time.
   v) The detailed working of the asset share, the expenses allowed for in the asset share, the investment income earned on the fund etc. which are represented in the asset share shall be approved by the With-Profits committee.

b) The With-Profit committee shall also ensure that:
   i) equity and fairness maintained between different generations and group of policyholders in bonus declarations,
   ii) expenses debited to the with-profit fund and its appropriateness

c) With-Profit Committee Report
   i) The With-Profit committee report shall cover the following:
      (1) Appropriateness of the Methodology and all basis used in calculation of asset shares, and justification for any change
      (2) Bonus earning capacity including its calculation
      (3) Sensitivity analysis of bonus rates and basis as appropriate
      (4) A brief note on how Policyholders' reasonable expectations (PRE) is me
      (5) Any change in special surrender value with justification
      (6) Treatment of FFA
      (7) The expenses debited to the with-profit fund and its appropriateness

d) Independent Actuary

i) An independent Actuary to possess a valid Certificate of Practice in the area of Life insurance issued by the Institute of Actuaries of India and must have relevant experience in life insurance business.
ii) The Independent Actuary shall also be required to attend any meeting with the Authority, if required.

CHAPTER: XIII

MARKET VALUE ADJUSTMENT

34) Market Value adjustment
   a) Market value adjustment shall not be allowed under:
      i) Non-linked Individual products and Group savings 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 product approval procedure. 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, for par and non-par fund based group products:
      i) If the amount to be paid on total exits during the policy year exceeds 25% of the policy account values as at the time of exit, 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

35) 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 prescribed by the Authority from the date of notification 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.

36) 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

37) Power of the Authority to issue directions / clarifications

a) In order to ensure smooth implementation of these Regulations and also to remove any difficulties in respect of the application or interpretation of any of the provisions of these Regulations, the Chairperson may issue appropriate circulars, directions, clarifications or guidelines, as and when required.

38) Repeal and Savings**:**

a) The IRDA (Non-Linked Insurance Products) Regulations, 2013 shall be repealed from the date these regulations come 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.