

IRDAI (Surrender Value) REGULATIONS, 2015

NOTIFICATION F. NO. IRDA/REG./

DATED

In exercise of the powers conferred under Section 114 (A) of the Insurance Act 1938 read with Section 26 of Insurance Regulatory and Development Authority of India Act 1999, in consultation with the Insurance Advisory Committee hereby makes the following regulations, namely:-

1. Short title and commencement.

- a. These regulations may be called Insurance Regulatory and Development Authority of India (Surrender value) Regulations, 2015
- b. They shall come into force on (date to be specified) and shall be applicable to all the policies offered by the life insurers after this date.
- c. Unless otherwise provided by these regulations, nothing in these regulations shall deem to invalidate the insurance policies issued prior to these regulations coming into force.

2. Definitions: In these Regulations, unless the context otherwise requires,

- a. "life insurance business" means the business of effecting contracts of insurance upon human life, including any contract whereby the payment of money is assured on death (except death by accident only) or the happening of any contingency dependent on human life, and any contract which is subject to payment of premiums for a term dependent on human life and shall be deemed to include
 - i. the granting of disability and double or triple indemnity accident benefits, if so provided in the contract of insurance,
 - ii. the granting of annuities upon human life, and
 - iii. the granting of superannuation allowances and annuities payable out of any fund applicable solely to the relief and maintenance of persons engaged or who have been engaged in any particular profession, trade or employment or of the dependents of such persons.
- b. "Sum assured on death" means an absolute amount of benefit which is guaranteed to become payable on death of the life assured in accordance with the terms and conditions of the policy
- c. "Sum Assured on maturity" means an absolute amount of benefit which is guaranteed to become payable on maturity of the policy in accordance with the terms and conditions of the policy
- d. "Surrender" means complete withdrawal or termination of the entire policy
- e. "Surrender Value" means an amount, if any, that becomes payable in case of surrender in accordance with the terms and conditions of the policy
- f. Words and expressions used and not defined in these regulations but defined in the Insurance Act, 1938 (4 of 1938) or Insurance Regulatory and Development Authority Act, 1999 (41 of 1999), shall have the meanings respectively assigned to them in those Acts as the case may be.

3. **Surrender value under insurance policies offered by Life insurers:**

a. Every policy offered by life insurer under a linked platform

- (i) shall provide surrender value in accordance with Insurance Regulatory and Development Authority (Linked Insurance products) Regulations, 2013, as amended from time to time.
- (ii) shall comply with all the provisions related to surrender or discontinuance of the Insurance Regulatory and Development Authority (Linked Insurance products) Regulations, 2013 ,as amended from time to time

b. Every policy offered by life insurer under a non-linked platform

- (i) shall provide surrender value in accordance with Insurance Regulatory and Development Authority (Non Linked Insurance products) Regulations, 2013, as amended from time to time
- (ii) shall comply with all the provisions related to surrender and discontinuance of the Insurance Regulatory and Development Authority (non Linked Insurance products) Regulations, 2013, as amended from time to time by way of circulars or otherwise
- (iii) which has acquired a surrender value shall not lapse by reason of non-payment of further premiums but shall be kept in force to the extent of paid up sum assured, calculated by means of a formula as approved by the Authority, and contained in the terms and conditions of the policy, and the reversionary bonuses or the guaranteed additions, if any, that have already been attached to the policy.
- (iv) the paid up sum assured under regulation 3(b)(iii)
 - 1. on death shall not be less than *ratio of* period for which premiums have already been paid bears to the maximum period *for* which premiums were originally payable *multiplied* by the sum assured on death.
 - 2. on maturity shall not be less than *ratio of* period for which premiums have already been paid bears to the maximum period *for* which premiums were originally payable *multiplied* by the sum assured on maturity
 - 3. on any other contingencies covered under the policy such as health cover, vesting in deferred annuity products shall not be less than ratio of period for which premiums have already been paid bears to the maximum period for which premiums were originally payable multiplied by sum insured/sum assured payable upon such contingency
- (v) shall be kept alive to the extent of the paid-up sum assured referred under regulation 3(b)(iii) and shall not be entitled by virtue of that sub-section to

participate in any profits declared distributable after the conversion of the policy into a paid-up policy.

(vi) the sub-section 3(b)(iii) above shall not apply, where the paid up sum insured of the policy is less than one hundred rupees inclusive of attached bonuses or the guaranteed additions, if any, **or** takes the form of an annuity of less than twenty five rupees per annum

c. A policy of life insurance may be terminated by paying the surrender value if the paid up sum insured of the policy is less than one hundred rupees inclusive of attached bonuses or the guaranteed additions, if any, **or** take the form of an annuity of less than twenty five rupees per annum.

4. **Action in case of Default:** The Authority may initiate action against the said insurer, in accordance with Section 102 of Insurance Act 1938, in case of default.