Insurance Regulatory and Development Authority of India (Non-Linked Insurance Products) Regulations, 2019

UNION OF INDIA
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Insurance Regulatory and Development Authority of India (Non-Linked Insurance Products) Regulations, 2019Published vide Notification F. No. IRDA/Reg/6/157/2019, dated 8.7.2019Last Updated 18th July, 2019F. No. IRDA/Reg/6/157/2019. - In exercise of the powers conferred under sub-section 2(zc) and 2(zd) of 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, 2019.(b)These shall come into force on the date of their publication in the Official Gazette.(c)These Regulations shall be applicable to all the products offered by the life insurers under the non-linked platform.

2. Objective.

- (i) To ensure that insurers follow prudent practices in designing and pricing of life insurance products and to protect the interests of the policyholders.(ii)To ensure sound and responsive management practices for effective oversight and adequate due diligence with regard to designing and pricing of life insurance products.

3. 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)"Annualized Premium" shall be the premium amount payable in a year chosen by the policyholder, excluding the taxes, rider premiums, underwriting extra premiums and loadings for modal premiums, if any.(d)"Death benefit" means the benefit which is payable on death, as stated in the policy document.(e)"Employer-Employee Group" means group where an employer-employee relationship exists between the master policyholder and the member, in accordance with the relevant laws.(f)"Maturity Benefit" means the benefit, which is payable on maturity as stated in the policy document. In addition to the sum assured on maturity, the bonuses, additional benefits as stated in the policy and accrued till the date of maturity shall become payable as part of the maturity benefit, if not paid earlier.(g)"Non-Employer-Employee Group" means group other than employer-employee, where a clearly evident relationship between the member and the group policyholder, for services other than insurance, exist.(h)"Pure Risk Premium Products" means insurance products where the payment of agreed sum (without any savings element) is assured on the happening of a contingency dependent on human life within the term of the policy and doesn't provide any payment of benefits either before survival or on survival of the insured or on maturity of the policy. This definition is as per Regulation 2(1)(g) of IRDAI (Expenses of Management of Insurers transacting Life Insurance Business), Regulations, 2016.(i)"Revival of a Policy" means restoration of the policy, which was discontinued due to the non-payment of premium, by the insurer with all the benefits mentioned in the policy document, with or without rider benefits if any, upon the receipt of all the premiums due and other charges or late fee if any, as per the terms and conditions of the policy, upon being satisfied as to the continued insurability of the insured or policyholder on the basis of the information, documents and reports furnished by the policyholder, in accordance with Board approved Underwriting policy.(j)"Rider Benefits" means an amount of benefit payable on a specified event offered under the rider, and is allowed as add-on benefit to benefit under base product, and may include waiver of premium benefit on other applicable riders.(k)"Savings Products" means those products other than "Pure risk premium products".(l)"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 or an absolute amount of benefit which is available to meet the health cover.(m)"Sum Assured on Maturity" means the amount which is guaranteed to become payable on maturity of the policy, in accordance with the terms and conditions of the policy.(n)"Surrender" means complete withdrawal or termination of the entire policy.(o)"Surrender Value" means an amount, if any, that becomes payable in case of surrender, in accordance with the terms and conditions of the policy.(p)"Total Premiums Paid " means total of all the premiums received, excluding any extra premium, any rider premium and taxes.(q)All words and expressions used herein and not defined in these Regulations but defined in the Insurance Act, 1938 or the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999) or in any Rules or Regulations made thereunder, shall have the meanings respectively assigned to them in those Acts or Rules or Regulations.Chapter-II Product Structures

4. 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").

5. Par Products.

- Par products shall be as defined in the IRDAI (Actuarial Report and Abstract for Life Insurance Business) 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 intervaluation 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.(d)In case of par products, the maturity benefits shall closely reflect the asset share.

6. Non-par products.

- Non par products shall be as defined in the IRDAI (Actuarial Report and Abstract for Life Insurance Business) Regulations, 2016. These products, namely, individual and group products, may contain the following features:(i)Under individual products, the benefits shall be explicitly stated in advance at the inception of the policy without any discretion to the insurer;(ii)Under Group products, the benefits or interest rates, as applicable, may be accrued at the end or at the beginning of either every month or quarter or half-year or year as shall be explicitly defined or stated in the product filing procedure, with no discretion to the insurer, where year shall mean the financial year.

7.

Further classification of products shall be as per the IRDAI (Actuarial Report and Abstract for Life Insurance Business) Regulations, 2016.

8.

The product filing documents shall clearly mention the following classification:(a)Par/Non-par(b)Life/Pension/General Annuity/Health.(c)Individual/Group(d)Savings/Pure risk premium product.Chapter-III Minimum Death Benefit

9. 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, for limited or regular premium products, and 1.25 times the single premium for single premium products. Further, for other than single premium products, the minimum death benefit shall be at least 105% of the total premiums received upto the date of death.(a)For the participating products, in addition to the sum assured on death, the bonus and additional benefits as stated 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.(b)The insurer may pay such death benefit in lump sum or in instalments as per the terms & conditions of the policy contract.(c)In case of death due to suicide within 12 months from the date of commencement of risk under the policy or from the date of revival of the policy, as applicable, the nominee or beneficiary of the policyholder shall be entitled to at least 80% of the total premiums paid till the date of death or the surrender value available as on the date of death whichever is higher, provided the policy is in force.(d)In case of fraud or misstatement or suppression of material fact, the policy shall be treated in accordance with the provisions of Section 45 of the Insurance Act, 1938.(e)For policies issued on minor's life, the date of commencement of risk may start anytime on or upto two years from the date of commencement of the policy or on the policy anniversary after attainment of majority, whichever is earlier.(f)The provision of minimum death benefit shall not be applicable to reduced paid-up policies, pension products, all types of immediate and deferred 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 upto date of death.Chapter: IV Administration of Non-Linked Insurance Products

10.

A product shall not be launched unless the Board or its delegated risk committee shall certify that "all the processes and suitable infrastructure and system requirements on an ongoing basis for the product ________________ (product name) to be launched are established and the systems enable the insurer from day of launch of the product, to perform all the day-to-day operations including all policyholder servicing, payments and determination of the reserves and solvency margin as required under the Act, the IRDA Act, Rules or Regulations framed thereunder from time to time." The certificate shall be submitted to the Authority before the launch of the product.

Chapter V
Policy Term, Premium Paying Term, Commission, Remuneration and Expenses

11. Minimum Policy Term.

- The minimum policy term:(a)For individual savings products, shall be at least five years.(b)For group savings insurance products for employer-employee group shall be at least one year (on annually renewable basis).(c)Insurers may design products which offer a range of policy terms, subject to a minimum policy term of one month, with respect to individual pure risk premium product, group term, group credit Life and micro insurance products.

12. Premium Payment Term.

- 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 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 pure risk premium product, 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 and the premium rates to be charged under such circumstances are approved under product filing procedure.

13. Commission, Remuneration and Expenses.

- Commission, Remuneration and Expenses shall be as per the extant Commission and Remuneration Regulations, Expenses of Management of Insurers transacting Life Insurance Business Regulations issued by the Authority from time to time.

Chapter VI
Pension Products

14. 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)An assured benefit means at least one of the guarantees from the following options:(1)Non-zero positive rate of return on the premiums paid, excluding applicable tax, from the date of payment to date of vesting or(2)An absolute amount to be paid on death or maturity (which shall result in non-zero positive return).(iii)The defined assured benefit shall be disclosed at the time of sale.(iv)The assured benefit shall be utilized on the vesting date OR on date of death as stipulated in the Regulations 15 and 16 under these Regulations, as applicable.(c)Pension products offered by the insurers may offer riders during the deferment period.

15. Surrender Value and Options on Surrender or Vesting.

- On surrender or vesting the policyholder shall exercise one of the following options:(i)To utilize the entire proceeds to purchase immediate annuity or deferred annuity from the same insurer at the then prevailing annuity rate subject to the Regulation 15(iii), the policyholder shall be given an option to purchase immediate annuity or deferred annuity from any other insurer. or(ii)To commute up to 60% and utilize the balance amount to purchase immediate annuity or deferred annuity from the same insurer at the then prevailing annuity rate subject to Regulation 15(iii). However, the policyholder shall be given an option to purchase available annuity from any other insurer.(iii)Every policyholder shall be given an option to purchase immediate annuity or deferred annuity from another insurer at the then prevailing annuity rate to the extent of percentage, as stipulated by the Authority, currently 50%, of the entire proceeds of the policy net of commutation.(iv)In case the proceeds of the policy either on surrender or vesting are not sufficient to purchase minimum annuity as defined in Regulation 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 or beneficiary as lump sum.

16. 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 immediate annuity or deferred annuity from the same insurer at the then prevailing rate. However, the nominee shall be given an option to purchase an immediate annuity or deferred annuity from another insurer at the then prevailing rate to the extent of percentage, as stipulated by the Authority, currently 50%, of the entire proceeds of the policy net of commutation.(ii)Withdraw the entire proceeds of the policy;(b)In case the proceeds of the policy are not sufficient to purchase minimum annuity as stipulated by the Authority from time to time, the proceeds of the policy may be paid as lump sum.

17. Group Savings Non-Linked Pension Products.

(a)For all group savings 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 Pension fund:i. There shall be an assured benefit that shall be applicable on the entire Pension fund available with the insurer. However, there shall also be an assured benefit that is available on death of every member.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 Pension 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 group savings non-linked pension products with the defined contributions subscribed to by an employer, where the scheme maintains individual member accounts:i. There shall be an assured benefit that shall be applicable on each of such individual accounts.ii. For exits on account of death, retirement or any other exit allowed in accordance with the scheme rules as agreed at the inception of the contract with group policyholder, the insurer shall make payments from the Pension 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 15 and 16 under these Regulations 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 19(h) under these Regulations shall apply in case of complete surrender of the policy.(e)Where the group policyholder maintains Pension funds with more than one insurer, the group policyholder shall have the option to choose any insurer to purchase available annuity.Chapter: VII Annuity Products

18. Annuity Products.

(a)Under the immediate annuity and deferred annuities including group deferred and group immediate annuities, the following guaranteed for life annuity options may 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 filing 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.Provided every annuity product shall have at least options (i) and (ii) mentioned above.(b)Under both group and individual deferred annuity products,(i)annuity shall be payable at the end of the deferment period and annuity rates shall be guaranteed at the inception of the contract.(ii)Premium payment mode may be single, limited premium or regular premium.Chapter: VIII Group ProductsThe following categories of products shall be allowed under group business.

19. Group Non-Linked Products.

(a)Employer-Employee Group Products: The following group products shall be permitted for employer- employee groups:i. Group Term Insurance products.ii. Group Savings Insurance products.iii. Group Credit Life Insurance products.iv. Single Premium Group Term Insurance Products.v. Micro Insurance products.vi. One-year renewable Group Term Insurance products.vii. One-year renewable Group Health Insurance products.viii. Group annuity products with the options prescribed under Regulation 18(a) under these Regulations.(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 offered to only non-employer-employee homogeneous groups.iv. Micro Insurance products.v. One-year renewable Group Health or Term Insurance products.vi. Government (Central or State) sponsored Group Insurance Products or Schemes.(c)For the purpose of these Regulations, non-employer-employee homogeneous group shall mean:i. Any association, where the member represents a particular profession or trade or domestic workers or anganwadi workers.ii. Government agencies.iii. Any cooperative societies.iv. Parents of school or college students as members.v. Any other groups as may be approved by the Authority.(d)For the purpose of these Regulations, group savings insurance products shall mean:(i)Group Non-Linked Superannuation Product.(ii)Group Non-Linked Gratuity Product.(iii)Group Leave Encashment Product.(iv)Group Post-Retirement Medical Product.(v)Group products with significant savings element.(e)The group savings non-linked policies stipulated in Regulations 19 (d) (ii), (iii), (iv) and (v) under these Regulations shall have minimum risk cover as approved under product filing procedure, with an explicit mortality cost levied.(f)The premium with respect to group products shall be made in accordance with the funding requirements as per the scheme rules. The trustee or employer or policyholder shall be required to confirm that such funding is required as per extant accounting standard governing the measurement of long term employee benefits.(g)The group savings non-linked products shall not allow any top-ups, unless required to address the underfunding of the scheme as per extant accounting standard governing the measurement of long term employee benefits.(h)The group savings non-linked products may levy a surrender charge not exceeding such per cent of the total fund value subject to an absolute amount, as stipulated by the Authority, if the policy is surrendered within third annual renewal of the policy. Currently, the surrender charge shall not be exceeding 0.05 per cent of the total fund value with a maximum of Rupees Five Lac. if the policy is surrendered within third annual renewal of the policy.(i)Group savings non-linked superannuation products may offer risk cover with an explicit premium for the cover.(j)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.(k)In case of surrender of the group policy, other than fund based group policies, the insurer shall give an option to the individual members of the group, on such surrender, to continue the policy as an individual policy and the insurer/intermediary if any, shall continue to be responsible to serve such members till their coverage is terminated.(l)Declaration of Interest Rates under Group Savings Insurance Products:i. The insurers shall keep a separate account of all receipts and payments in respect of each policy under Group Savings insurance products. The valuation of assets and liabilities shall be in accordance with IRDAI (Assets, Liabilities and Solvency Margin of Life Insurance Business) Regulations, 2016 and other relevant Regulations.ii. The interest rate credited to each fund and expenses charged to such funds shall be in accordance with the Board approved policy of the insurer.iii. However, such interest rates shall be declared by the insurers at regular intervals based on the fund size with appropriate disclosure in the insurer's website.iv. Interest rates shall need to be declared in such a way that there shall be no discrimination amongst identical policyholders in terms of fund size.v. Interest rates as well as expenses, if any, which need to be charged to the fund shall be stated explicitly in the product filing documents.Chapter: IX Surrender Value

20. Acquisition of Surrender Value.

(a)All individual savings and protection oriented products such as non-linked life insurance products, and non-linked pension products including deferred annuity products, other than pure risk premium products such as term insurance, health insurance and immediate 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: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 and any guaranteed additions already accrued to the policy.(b)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 and any guaranteed additions already attached to the policy.The guaranteed surrender value shall be at least:i. 30% of the total premiums paid less any survival benefits already paid, if surrendered during the second year of the policy, andii. 35% of the total premiums paid less any survival benefits already paid, if surrendered during third year of the policy.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.iv. 90% of the total premiums paid less any survival benefits already paid, if surrendered during the last two years of the policy.v. The surrender value beyond the seventh year shall be filed by the insurer under the product filing procedure. Such surrender value shall follow a smooth progression and converge to at least 90% of the total premiums paid less any survival benefits already paid, as the policy approaches maturity.vi. Surrender value of any subsisting bonus and any guaranteed additions already attached to the policy shall be stated under the product filing procedure.(c)Single premium products: The guaranteed surrender value shall be the sum of guaranteed surrender value and the surrender value of the any subsisting bonus and any guaranteed additions already attached to the policy. 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.iv. The surrender value beyond the fourth year shall be filed by the insurer. Such surrender value shall follow a smooth progression, and converge to at least 90% of the total premium paid less any survival benefits already paid as the policy approaches maturity.v. Surrender value of any subsisting bonus already attached to the policy shall be approved under the product filing procedure.(d)Every such policy shall show the guaranteed surrender value of the policy at the close of each year after the second year of its currency or at the close of each period of three years throughout the currency of the policy in the policy document.(e)A policy which has acquired a surrender value shall not lapse by reason of the non-payment of further premiums but shall be kept in-force to the extent of the paid-up sum assured and the subsisting reversionary bonuses including guaranteed addition, if any. This provision is in accordance with the provisions of Regulation 3(b)(iii) of IRDAI (Acquisition of Surrender and Paid Up Values) Regulations, 2015 as amended from time to time.(f)The surrender value shall be the higher of the guaranteed surrender value and the special surrender value.

21. Special Surrender Value.

- 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 savings policies, the special surrender value shall reflect the guaranteed maturity or survival benefits under the policy.Chapter: X Miscellaneous Provisions

22. Renewal Premium in advance.

- (i) Collection of renewal premium in advance shall be allowed within the same financial year for the premium due in that financial year. Provided, the premium due in one financial year may be collected in advance in earlier financial year for a maximum period of three months in advance of the due date of the premium.(ii)The renewal premium so collected in advance shall only be adjusted on the due date of the premium.(iii)The commission shall only be paid after adjustment of premium on due date.

23. Level Premium.

(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 or uniform and shall not vary over the term of the policy subject to (b) given below(b)After payment of premiums for first five completed policy years, the policyholder may be given an option to decrease the premium upto 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. Benefits may be revised subject to the minimum death benefit as stipulated under Regulation 9 of these Regulations. Sustainability of the policy due to reduction of premiums shall be demonstrated under product filing procedure.

24.

"Grace Period for other than Single Premium Policies" means the time granted by the insurer from the due date for the payment of premium, without any penalty or late fee, during which time the policy is considered to be inforce 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 shall be: fifteen days, where the policyholder pays the premium on a monthly basis; and 30 days in all other cases.

25.

"Limited Premium Payment Policy" means the non-linked insurance policy other than single premium policy, where the premium payment period is limited compared to the policy term, and premiums are payable at regular intervals like yearly, half yearly, quarterly, monthly or any other interval as approved by the Authority.

26.

"Non-linked Whole Life Policy" means non-linked insurance policy, which does not have a definite policy term and the policy terminates on death of the life assured or provides coverage at least up to attainment of age 80 years.

27.

"Regular Premium Policy" means non-linked insurance policy, where the premium payment is throughout the term of the policy or premium payment term of the policy, and premiums are payable at regular intervals like yearly, half yearly, quarterly, monthly or any other interval as approved by the Authority.

28.

"Single premium Policy" means non-linked insurance policy, where the premium payment is made in lump sum at the inception of the policy.

29.

"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.

30. Misleading Names.

- Misleading and misrepresenting the benefits through the name of the products or name of the benefit shall not be allowed.

31. 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.

32. Financial Viability of the Products.

- All the products once approved shall be reviewed by the Appointed Actuary at least once a year taking into account the reasonable expectation of all stakeholders, including policyholders to ensure that they are financially viable. A confirmation in this respect shall be appended to the annual Actuarial Report and Abstract. If any product is found to be financially unviable, the Appointed Actuary shall revise the product as per the extant product filing procedure.

33. 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 at the point of sale, illustrating the guaranteed and non-guaranteed benefits at gross investment returns as stipulated by the Authority. Currently such gross investment returns are 4% p.a. and 8% p.a.(b)In case of pension products, a yearly statement shall be sent to each policyholder indicating:(i)the current accumulated value or available amount.(ii)the expected accumulated value on date of vesting on the basis of gross investment returns as stipulated by the Authority from time to time with the caveat, that the projected rate shall not reflect any guarantee.

Currently the gross investment returns are 4% p.a. and 8% p.a.(iii)likely annuity amount based on the then prevailing annuity rates with the caveat that the projected rates shall not reflect any guarantee.(c)Such benefit illustration shall be signed by both the prospective policyholder, insurance agent or authorized persons of intermediary involved in sales process, as the case may be and shall form part of the policy document.(d)The benefit illustration as approved under the product filing 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.Chapter: XI With Profit Fund Management

34. With Profit Committee.

- (i) The With Profit committee shall be constituted with at least the following members: One Independent Director of the Board, the CEO, the CFO, the Appointed Actuary and an Independent Actuary.(ii)The Independent Actuary on the With Profit Committee:(a)shall be a Fellow member of Institute of Actuaries of India (IAI)(b)shall have passed specialization subject in life insurance or equivalent. For the purpose of specialization subject,

1. Fellow members of the Institute of Actuaries of India who have acquired fellowship before introduction of specialised subject examination, conducted by the Institute of Actuaries of India (erstwhile Actuarial Society of India) will be deemed to have passed the requisite specialisation subject.

2. Fellow members of the Institute of Actuaries of India who have been exempted from passing specialisation subject in terms of IRDAI (Appointed Actuary) Regulations, 2017 as amended from time to time, will be deemed to have passed the requisite specialisation subject.

(c)shall possess a valid Certificate of Practice in the area of Life insurance issued by the Institute of Actuaries of India(d)shall have relevant post qualification experience of at least ten years in life insurance business and(e)shall not exceed 75 years of age(f)The Independent Actuary shall not continue in the With Profit Committee of the same insurer for more than three consecutive years.(g)For any financial year, the independent actuary shall not be part of more than three With Profit committees.(iii)The insurer may add more experts in the With Profit Committee in the areas of Actuarial, Finance, Investment or any other domain. Such additional experts need not satisfy the criteria stipulated for Independent Actuary.(iv)Asset Share:(a)The insurer shall ensure maintenance of the Assets Share.(b)The detailed working of the asset share, the expenses allowed for in the asset share, the investment income earned on the fund and other associated elements which are represented in the asset share shall be determined by the Appointed Actuary.(v)With Profit Committee Report(i)The With Profit committee report shall at least cover the following:(1)Appropriateness of the Methodology and 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 met.(5)Any change in special surrender value with justification.(6)Treatment of Fund for Future Appropriation.(7)The expenses debited to the With Profit fund and its appropriateness.(ii)The report of the With Profit committee should be shared with the Board of the insurer before finalization of year-end financial statements. The With Profit committee report shall also be shared with the regulator along with Actuarial Report and Abstract. The With Profit committee may be called upon by the regulator to explain the rationale of the With Profit committee report. It is expected that differences if any, between the view-point of the Appointed Actuary and other members of the With Profit committee should be resolved before the Appointed Actuary makes his or her final recommendation on with profit business. However, to the extent that any material difference remains unresolved, the same should be mentioned in the With Profit committee report.(iii)The Appointed Actuary retains entire responsibility for his or her work in compliance with the IRDAI (Appointed Actuary) Regulations, 2017 and in conformity with the provisions of the Actuarial Practice Standards and Professional Conduct Standards of the IAI. The Appointed Actuary must therefore retain the final say on whether or not any element of his or her work needs to be changed as a result of the With Profit committee report. The Appointed Actuary is therefore advised to use discretion in this area with care.Chapter: XII Market Value Adjustment

35. Market Value adjustment.

(a)Market value adjustment shall not be allowed under:(i)Non-linked Individual products(ii)Par and non-par group savings products where the exits are in accordance with the scheme rules filed with the insurer at the outset, except as stipulated in (b) below.(b)Market value adjustment may be allowed for par and non-par group savings 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 filing 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 these Regulations, for par and non-par group savings 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 beginning of the year, such transactions shall be treated as bulk exits, where exit shall be as per the scheme rules and(ii)Exit shall mean exit of the member from the group.Chapter: XIII Procedure For Implementation and Other Provisions

36.

The insurers shall follow the following procedure for implementation of these Regulations:(a)All new products filed with the Authority after date of notification of these Regulations, shall comply with these Regulations.(b)All existing products complying with these Regulations can continue to be open to new business.(c)All existing products not complying with these Regulations, can continue to be open to new business for a period stipulated by the Authority.(d)Existing products need to be withdrawn or modified to comply with these Regulations during the transition period.(e)The Authority may issue guidelines or circulars with regard to procedure for modification of existing products to comply with these Regulations.(f)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's interests.

37. Action in Case of Default.

(a)The Authority may, at any time, by an order in writing, direct any officer of the Authority to inspect the affairs of any insurer and submit a report on the reasonableness or otherwise of the compliance with the any of these Regulations.(b)Upon receipt of the report, the Authority shall, after giving an opportunity to the insurer to make a representation in connection with the findings in the report, direct the insurer appropriately.(c)Without prejudice to the above, the Authority may also initiate such action against the said insurer, as deemed appropriate, under the provisions of the Act, the Insurance Regulatory and Development Authority Act, 1999 and the relevant Regulations framed thereunder.

38. Power to Issue Clarifications.

(a)In order to remove any difficulties in respect of the application or interpretation of any of the provisions of these Regulations, the Chairperson may issue appropriate circulars, clarifications or guidelines, as and when required.(b)The Chairperson may also issue circulars or guidelines relating to the Regulation of non-linked products including, but not limited to, their administration, market conduct and disclosure norms, as may be required.

39. 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 contracts entered prior to these Regulations coming into force.