

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:1490  
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IRDA'S GUIDELINES FOR INSURANCE PRODUCTS  
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**Will the Minister of FINANCE be pleased to state:**

- (a) whether the Insurance Regulatory Development Authority (IRDA) has recently issued guidelines for insurance products;
- (b) if so, the details thereof alongwith the benefits to the customers from such products; and
- (c) the steps being taken by the Government to create awareness of such products in the rural areas?

**Answer**

The Minister of State in the Ministry of Finance (Shri Namo Narain Meena)

(a) The Insurance Regulatory and Development Authority (IRDA) has issued guidelines for `File and Use` requirements for general insurance products vide their letter dated 28-09-2006 in respect of non-life insurers. For life insurers, the instructions were issued vide IRDA`s circulars dated 22-07-2009 and 20-08-2009.

(b) Life Insurance: The IRDA has issued circulars on `Cap on charges` in respect of Unit Linked Insurance Products (ULIPs) which provides guidelines to the insurers in setting charges under such products. Consequent to the issue of the circulars, the total charges are restricted so that the net return to the policy holders are not reduced below 7% p.a. in case of contracts with a term of 10 years or less and 7.75% p.a. with a term of more than 10 years for a gross return of 10% p.a. in both the cases.

Benefit to the customers: These guidelines benefit the customers in various ways which, inter-alia, includes:

- (i) the reduced prices of ULIPs and thus creating value addition to the policy holders;
- (ii) limiting fund management charges to 135 basis points irrespective of the tenor of the contract;
- (iii) no surrender charge to be levied by an insurer for policies surrendered from the 5th policy year and thereafter enabling policy holder to receive full fund value on such surrender and at the time of maturity;
- (iv) the issuance of a certificate to the policy holder showing year-wise contributions, charges deducted, fund value and final payment to the policy holder.

Non-life insurance: No general insurance product can be marketed unless the requirements of the `File and Use` guidelines have been taken into account and complied with in respect of that product. These requirements relate to the design, rating of the insurance product, literature of the product including usage of simple language and compliance with the requirements of Protection of Policyholders' Interests Regulations, 2002.

Benefit to the customer: The above requirements ensure that the customers` interests are kept paramount by the insurers while designing the product.

(c) The following steps, inter-alia, are being taken by IRDA to create awareness of insurance products in rural areas:

- i. Launching insurance awareness campaign under the brand name `Bima Bemissal`.
- ii. Print advertisement in 13 Indian languages covering all geographical locations in the country highlighting the need for insurance, dispute resolution channels, the rights and obligations of policy holders etc.
- iii. Sponsoring seminars conducted by various consumer bodies.
- iv. Carry out impact studies (pre-launch and post launch of the campaign), in consultation with National Council for Applied Economic Research (NCAER) to gauge the resultant level of awareness and take steps to improve awareness in the required areas.