

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:3322

ANSWERED ON:13.08.2010

IRDA GUIDELINES

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**Will the Minister of FINANCE be pleased to state:**

- (a) whether the Insurance Regulatory & Development Authority (IRDA) framed new guidelines on ULIPs;
- (b) if so, the details thereof along with the time by which such guidelines are likely to be implemented; and
- (c) the details of the likely benefits the customers with the implementation of those guidelines?

**Answer**

Minister of State in the Ministry of Finance (Shri S.S. Palanimanickam)

(a) & (b): The Insurance Regulatory & Development Authority (IRDA) has informed that recently they have issued the following circulars:

(1) IRDA Circular No. 102 dated 28th June, 2010 – This prescribes the minimum quantum of death and health coverage that a unit linked life insurance product must offer. All pension/deferred annuity products must offer a minimum guaranteed return as specified by the IRDA. The minimum guaranteed rate is 4.5% pa for the current financial year and based on reverse repo-rate from 2011-2012 onward. The circular also prescribes the maximum reduction in yield to the policyholders from year 6th policy year and onward.

(2) IRDA (Treatment of Discontinued Linked Insurance Policies) Regulations, 2010 – The regulations aim to benefit the policyholder who discontinues to pay future premium on account of certain difficulties, by assuring him a fixed rate of interest on his policy monies available at the date of discontinuance and the payment can only be made by insurer after 5th policy anniversary of the said insurance policy.

(3) IRDA Circular No. 124 dated 4th August, 2010 - The circular clarifies the limit on premium allocation and policy administration charges and also on guaranteed rates of interest on unit linked pension/deferred annuity products.

The aforesaid circular and regulations shall be implemented with effect from 1st September, 2010

(c): The likely benefits to the customers are as follows:

(i) The customers will get higher death and /or health coverage in all unit linked products except pension products where the benefits flow in the form of guaranteed benefits. Moreover, in pension/deferred annuity products the policyholders can opt for riders which provide higher amount of mortality and/or health coverage.

(ii) All unit linked pension products shall have a minimum guaranteed return to ensure a minimum amount of cash at the time of maturity which shall be utilized to purchase annuity subject to a lump sum payment of one third of the accumulated amount.

(iii) The lock-in period has been increased from earlier 3 years to 5 years which enhanced the long term feature of the unit linked products. During lock-in period, policyholders can not take the payment of surrender value and also can not make any partial withdrawal. However, the policyholders can avail loan facility during the lock-in period.

(iv) All unit linked products shall offer minimum return to the policyholders from 6th policy year and onward. This provides guaranteed return on the money invested in insurance policies by policyholders.

(v) The maximum charges that an insurer can levy on the fund on discontinuance of the insurance contract are specified in the regulations. This intends to bring uniformity in the industry.