

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3070

ANSWERED ON:15.03.2013

NORMS FOR LIC PRODUCTS

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Will the Minister of FINANCE be pleased to state:

- (a) whether the Government/Insurance Regulatory Development Authority (IRDA) has framed/proposes to frame new norms to make life insurance products user friendly;
- (b) if so, the details thereof;
- (c) the manner in which the said norms are likely to be helpful to the policyholders; and
- (d) the time by which the said norms are likely to be implemented?

Answer

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

(a) & (b) : The Insurance Regulatory and Development Authority (IRDA) has informed that two regulations have been framed, namely, (i) Insurance Regulatory and Development Authority (Linked Insurance Products) Regulations 2013 dated 18-02-2013 and (ii) Insurance Regulatory and Development Authority (Non-Linked Insurance Products) Regulations 2013 dated 18-02-2013 to make life insurance products user friendly.

(c) : The provisions of the regulations are helpful to the policyholders in the following manner:

Product classification is defined to bring transparency.

Minimum death benefit is prescribed to ensure that the beneficiary will get a reasonable amount on death of policyholder.

The commission is linked to the premium payment term to encourage long-term products.

Minimum Guaranteed Surrender Value in respect of individual products and the surrender penalty in respect of fund based group products are prescribed to protect the interests of policyholders and to ensure reasonable benefits to policyholders on surrender.

The surrender penalty in respect of Fund based group products is restricted to give more return to policyholders.

The norms regarding disclosure to policyholder have been strengthened to help the policyholder make an informed decision.

Better yield to the customers of Variable Insurance Products through specification of limits on reduction in yield.

To encourage revival of discontinued Unit linked policies revival period is enhanced beyond the lock-in period.

(d) : IRDA has further informed that the existing products which are not compliant with the new regulations have to be modified before 30th June 2013 for Group products and before 30th September 2013 for Individual products.