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Product Regulation –
Context Setting

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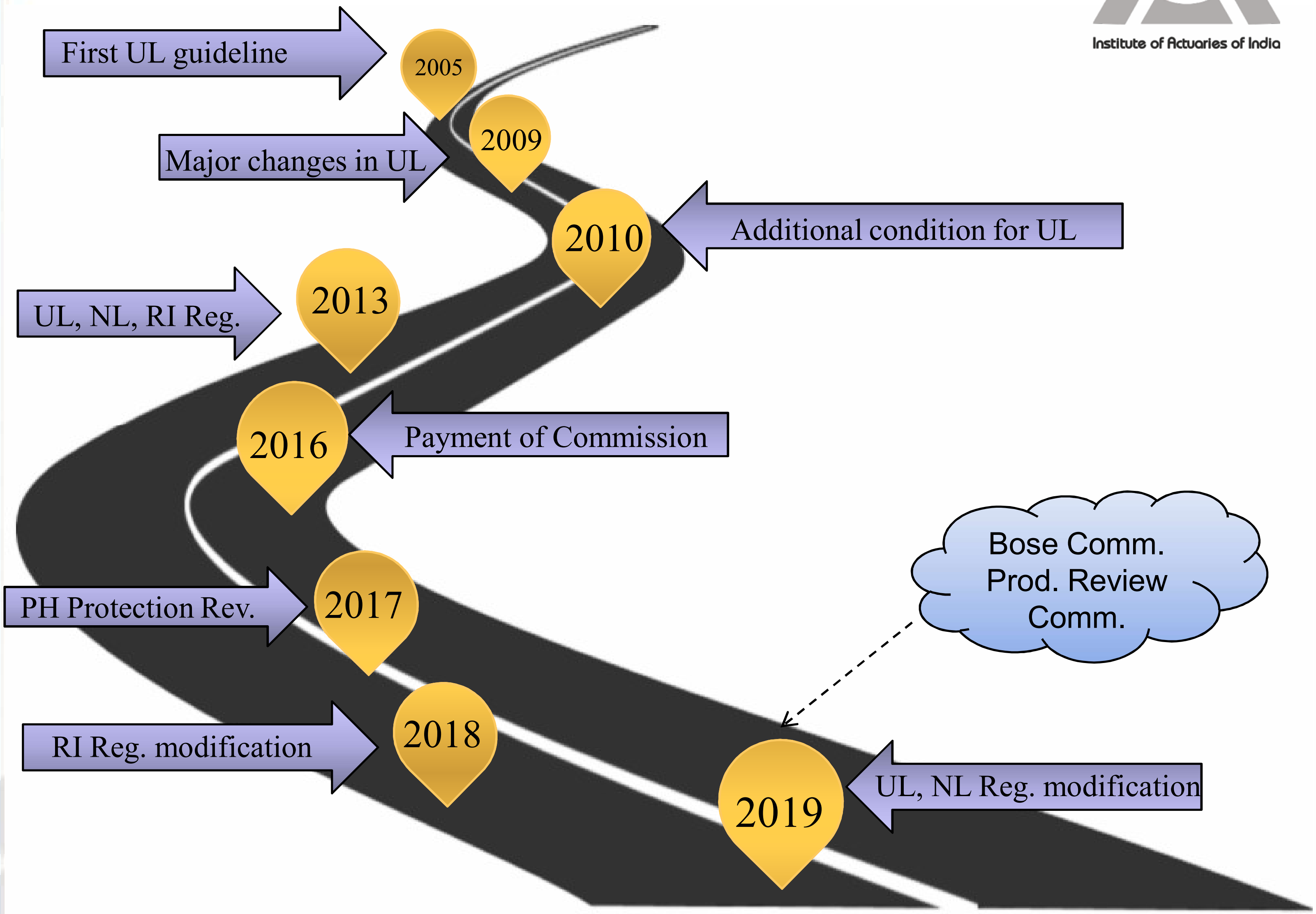
Agenda

- Evolution of Regulations &Guidelines
- Product Regulation 2019
- Benefit Illustration
- Use & File Overview
- Implementation Challenges

Evolution of Regulations & Guidelines



Product Regulation 2019
Overview

Greater focus on customer protection aspects

Simplification & more standardization- min death benefit, removal of VIP, specifying product categories

Flexibility in Term Insurance products

Special focus on With Profit Management

Overview (cont.)

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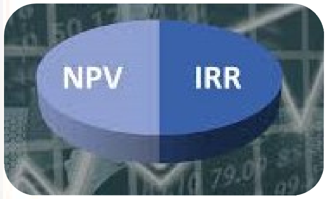
Revival period increased



Special focus on customer IRR

New initiative towards innovation – Sandbox regulation

Linked expenses and commissions with respective regulations

Overview (cont.)

Formalized customer education and training to intermediaries

Use & File procedure – increased the scope

Requirement for reviewing product viability once a year and submit as part of annual report

Non Linked Products

Surrender Value

- Policy acquires Surrender Value after payment of two full years' premium
- For Par Special Surrender Value (SSV) shall represents asset share and need to be smoothed to maturity value
- For non par savings, SSV shall reflect the guaranteed maturity or survival benefits

Non - Linked Products
Other Highlights

- **Group Savings**
  - No VIP products
  - Crediting interest rate and charged expenses have to be as per Board approved formula

- **Pension & Annuity**
  - Option to commute upto 60% is allowed
  - Policyholder can purchase certain part of annuity, currently 50%, from another insurer

With Profit

- With Profit Committee to constitute Independent Director, CEO, CFO, AA and Independent Actuary
- The criterion for appointment of Independent actuary modified

- **WPC Report to include**
  - Methodology and justification for any change
  - Bonus Earning Capacity
  - Sensitivity of Bonus Rates and basis
  - Note on Policyholders' Reasonable Expectation (PRE)
  - Any change in Special Surrender Value
  - Treatment of Future Fund Appropriation (FFA)
  - Appropriateness of expenses
- WPC report to be shared with the Board before finalization of year – end financials

Linked

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- Check for NNCA simplified – only at pricing stage, for specific rates
- Higher up-fronting of charges; however reduction in yield criteria remains same
- On discontinuance after lock-in period policy will be paid up by default. Fund value will be paid after revival period (if not revived).
- Risk coverage needs to be maintained during settlement period
- Option to reduction of premium and benefits after 5th policy year
- Whole life policy term is at least up to attainment of age 80 years
- No minimum guarantee for UL pension

F&U Checklists

- Exhaustive checklists covering all possible questions concerning about the product

- Demonstration of positive IRR for Non Par

- Demonstration of positive IRR for Par @ 4% p.a. growth rate

- In ULIP to ensure 90% premium return at maturity

  @ gross investment yield of 4% p.a. after all deductions.

- Justification for Nil or very high NB strain

Benefit Illustration

- To highlight Guaranteed benefits
- For Online channel- BI before application and premium payment
- Annual policy statement with premium, bonus, fund value (UL) etc
- Financial Planning for Pension products –
  - Customer specific target purchase price
  - Possible risk involved
  - Target annuity
- Annual disclosure for Pension stating accumulated amount, expected accumulated value on vesting, likely annuity amount at vesting

BI - Suitability

- Specific training for intermediaries selling UL on capital market developments, risks involved in UL

- Suitability analysis
  - To collect 'Suitability information' age, income, family status, financial and family goals etc
  - Determine if a product is suitable considering customer's status and policy related conditions
  - Suitability info to be stored and produced if required
  - Requirement for Board Approved Policy

BI – Policyholder Education

Policyholders' Education

- To promote education on UL product
- To put up product specific presentations on website
- Premium calculator without requirement of policyholder's details

– Periodical review of product wise new business performance – actual vs projected

– Special care should be taken on advertising material of UL products and the associated funds.

Use & File
Overview

- Enhanced the conditions applicable for Product modifications under Use & File process
  - Changes in premium and benefit amount on account of 2019 product regulation
  - Changes in premium and benefit amount for non linked non par (incl. annuity) due to change in interest rates with increased frequency
  - Changes due to mortality, morbidity, expense, lapse basis for non linked products with certain threshold of change in premium rates
  - Addition of approved riders, premium frequency, distribution channel, approved fund (in UL)
  - Min/ Max premium, benefit amount, premium table extension

- Additional provision for modifications without changes in UIN
- The complete responsibility of the correctness of statements/ documents is vested with CEO/AA

Implementation Challenges

- Significant number of on-sale products need to be restructured
- Major work to modify IT system, including the peripheral ones
- One time administrative costs

- Use & File procedure provides significant relief to insurers
- Also implementation date extended

THANK YOU

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