

THE GAZETTE OF INDIA
EXTRAORDINARY
PART – ___ – SECTION ___
PUBLISHED BY AUTHORITY
NEW DELHI, _____(Month) ___(Day), 2010
INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY
NOTIFICATION
HYDERABAD, THE _____, 2010
INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY (SHARING
OF DATABASE FOR DISTRIBUTION OF INSURANCE PRODUCTS)
REGULATIONS, 2010

F.No. IRDA/Reg/___/2010 dated _____, 2010 - In exercise of the powers conferred by clause (zd) of sub-section (2) of section 114A of the Insurance Act, 1938 (4 of 1938) read with sub-section (1) of section 14 of the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999), the Authority in consultation with the Insurance Advisory Committee, hereby makes the following regulations, namely:-_____

CHAPTER I

PRELIMINARY

Short title and commencement

1. (1) These regulations may be called the Insurance Regulatory and Development Authority (Sharing of Database for Distribution of Insurance Products) Regulations, 2010.

(2) They shall come into force on the date of their publication in the Official Gazette.

Definitions

2. In these Regulations, unless the context requires otherwise–

a) “Act” means the Insurance Act, 1938 (4 of 1938);

b) “Agreement” for the purpose of these regulations means an agreement entered into between a referral company and an insurer registered under section 3 of the Act;

- c) "Authority" means the Insurance Regulatory and Development Authority established under sub-section (1) of section 3 of the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999);
- d) "Corporate Agent" means a person as defined in the IRDA (Licensing of Corporate Agents) Regulations, 2002;
- e) "Insurance Agent" means an insurance agent as defined in sub-section (10) of section 2 of the Act;
- f) "Insurance Broker" means a person as defined in clause (i) of regulation 2 of IRDA (Licensing of Insurance Brokers) Regulations, 2002;
- g) "IRDA Portal" means the portal maintained by the Authority for the purpose of registering the referral company;
- h) "Micro Insurance Agent" shall have the meaning as assigned to it in clause (f) of regulation 2 of the IRDA (Micro Insurance) Regulations, 2005;
- i) "Referral Arrangement" means the arrangement between a referral company and an insurer in terms of an agreement entered into for the purpose of sharing of the database of the customers of the referral company but does not include the soliciting or sale, directly or through an agent, corporate agent or an insurance intermediary including a micro insurance agent of an insurance product;
- j) "Referral Company" means a company formed and registered under the Companies Act, 1956 (1 of 1956) and approved by the Authority under sub-regulation (3) of regulation 6 except as otherwise permitted in these regulations;
- k) "Register" for the purpose of these regulations refers to the process of registration as outlined in regulation 8;
- l) All words and expressions used and not defined in these regulations but defined in the Insurance Act, 1938 (4 of 1938), the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999) or in any of the Regulations made thereunder shall have the meanings respectively assigned to them in those Acts or Regulations.

CHAPTER II APPROVAL OF A REFERRAL COMPANY

Application of a referral company

3. The application seeking grant of approval of the referral company shall be made by an insurer to the Authority, accompanied by a fee of rupees ten thousand paid by way of a bank draft in favour of "Insurance Regulatory and

Development Authority” payable at Hyderabad and containing such information as specified in Form - A in Schedule I.

Application to conform to the requirements

4. An application which is not complete in all respects shall be liable to be rejected:

Provided that, before rejecting any such application, the insurer shall be given an opportunity to complete such formalities within a period of thirty days from the date of receipt of communication from the Authority.

Furnishing information

5. The Authority may require the insurer to furnish such further information or clarification as may be required by it.

Eligibility criteria for approval of the referral company

6. (1) For the grant of approval of the referral company, the insurer shall ensure the fulfillment of the conditions including but not limited to the following:-

- (a) The referral company is a company formed and registered under the companies Act, 1956 (1 of 1956) unless otherwise provided under sub-regulation (b) of regulation 6 of these regulations;
- (b) The referral company is not in any of the businesses of extending loans and advances, accepting deposits, trading in securities on its own account or on the accounts of the customers;

Provided that any bank including a Regional Rural Bank or a co-operative bank that is not eligible for grant of corporate agency license under the relevant eligibility criteria stipulated by the Reserve Bank of India may be approved as a referral company, subject to such conditions as may be imposed by the Authority and the Reserve Bank of India;

Provided further that any other department or organization of the Government may also be approved as a referral company subject to such conditions as may be imposed by the Authority;

- (c) The referral company is engaged in a business that has no linkage, direct or indirect, with the transaction or distribution of the business of insurance;
- (d) The referral company does not carry out the sale or promotion of insurance products in its premises or elsewhere at all times;

(e) The referral company has a minimum net worth of rupees fifty lakhs and a minimum turnover of rupees one crore during the previous three consecutive years;

(f) The referral company has a database of its customers acquired through its business;

Provided that a company whose main business is acquisition and sale of client data shall not be eligible to be a referral company;

(g) The referral company does not have an existing referral arrangement with an insurer carrying out the same class of insurance business;

(h) The referral company is not bound by any confidentiality agreement in the matter of sharing the personal and financial databases of its customers;

(2) While considering the application, the Authority may, if it so desires, verify the information furnished by the insurer including the supporting documents and the available database and also inspect the premises and infrastructure of the referral company and for this purpose, appoint an officer of the Authority.

(3) The Authority may, after considering the application with reference to the matters specified in sub-regulations (1) and (2) of regulation 6, grant approval to the referral company which shall be valid for a period of three years from the date of grant of such approval.

Procedure where approval is not granted

7. (1) The Authority may reject the application made by an insurer to the Authority seeking grant of approval of the referral company if it does not satisfy the eligibility criteria laid down in regulation 6 of these regulations, or if the grant of such approval is not found to be in public interest.

(2) The decision of the Authority along with the reasons to be recorded in writing shall be communicated to the insurer within a period of fourteen days from the date of the decision.

CHAPTER III

REGISTRATION OF A REFERRAL COMPANY

Procedure for registration of a referral company

8. (1) The insurer shall register the referral company that has been approved by the Authority under regulation 6 in the IRDA Portal.

(2) The insurer shall enter into an agreement with the referral company approved by the Authority which shall necessarily include details relating to though not limited to the following:

- a) Agreed price of the database to be shared
- b) Terms of payment including time-frame and mode
- c) The right of the insurer to inspect/audit the referral company
- d) Onus of complying with the regulatory and other legal requirements on both the parties to the agreement
- e) Identifying the different data elements to be shared (viz. name of customer, contact details).

(3) The agreement shall be valid for a period of three years from the date of grant of approval by the Authority and within fifteen days from the date of entering into such an agreement, the insurer shall file the agreement in electronic form through the IRDA Portal.

(2) Notwithstanding the terms of the referral agreement entered into with the referral company, the Authority may direct the insurer to forthwith terminate the registration of the referral company if the same is not found to be in public interest.

Restrictions on the business activities of the referral company

9. The referral company that has been approved by the Authority and registered with the insurer shall not:

- (a) carry out the sale of insurance products in its premises or elsewhere, at all times;
- (b) undertake any insurance related activity except activities in the nature of sharing of the database of its customers for the sale or distribution of insurance products;
- (c) create a database of its customer groups by specifically soliciting or scouting prospective policyholders, for the sale or distribution of the insurance products;
- (d) provide details of its customers without their prior consent or provide details of any person/firm/company with whom they have not had any recorded business transaction;
- (e) receive any payment from the insurer for providing the database of its customers, over and above the remuneration as outlined in sub-regulation (7) of regulation 11;
- (f) receive any payment for providing the database of its customers from a person involved in insurance related activity other than an insurer;
- (g) be licensed/registered as an insurance agent, corporate agent, micro insurance agent or a broker under the relevant Regulations framed by the Authority;
- (h) enter into a referral arrangement with more than one life and/or one general insurance company and /or one standalone health insurance company;
- (k) earn more than 10% of its total income from the referral business with an insurer or any other organization not involved in any insurance related activity, at any time during the tenure of the referral arrangement;

(l) acquire at any time, databases with the express purpose of selling it to insurers or any other organization not involved in any insurance related activity.

CHAPTER IV

DUTIES AND OBLIGATIONS

Obligations of a Referral Company

10. (1) A referral company shall ensure that it maintains the specified net worth and turnover at all times during the tenure of the referral arrangement;

(2) A referral company shall maintain the records and the reports of its activities under the referral arrangement, in the manner specified in the agreement entered into between the insurer and the referral company;

(3) A referral company shall along with its employees (whatever their designation may be) comply with all the provisions of the Act, the Insurance Regulatory and Development Act, 1999 (41 of 1999), the rules and regulations framed thereunder and such other directions issued by the Authority from time to time.

Obligations of the Insurer

11. (1) An insurer shall ensure that the referral company with which it has entered into a referral arrangement is compliant with all the provisions of these regulations, the Act, the Insurance Regulatory and Development Act, 1999 (41 of 1999), the rules and regulations framed thereunder and such other directions issued by the Authority from time to time;

(2) An insurer shall maintain a record of every referral agreement entered into by it, the total business generated by it under the referral agreement and the total amount payable by it including all the payments made to the referral company, along with the calculation basis of such payments;

(3) An insurer shall maintain separate records for each batch of referral data obtained from each referral company, the details of the policies sold out of the references thus obtained and the information regarding the payments made by it under the head 'referral', in Form B as specified in Schedule I;

(4) An insurer shall submit to the Authority, the records referred to in sub-regulations (2) and (3) of Regulation 11 and the reports of its activities as relevant for the purpose of these regulations, whenever called upon to do so;

(5) An insurer shall bring to the notice of the Authority, any change in the information or particulars previously furnished that has a bearing on the approval

granted by the Authority or the modification, if any, in the information that has been uploaded in the IRDA Portal at the time of registration not later than fifteen days from the date of occurrence of such change;

(6) An insurer shall upload the duly approved modification to the information or particulars previously furnished to the Authority not later than fifteen days from the date of grant of such approval;

(7) An insurer shall pay, such fees or remuneration, by whatever name called, to the referral company for such database that is converted into sales, which shall not exceed twenty five percent of the commission payable or actually paid, whichever is lower, on the first year premium of the first policy sold on the basis of the lead obtained from the referral company. The fees or remuneration to be paid shall form part of and be within the overall limits on the commission and expenses as provided for in sections 40B and 40C of the Act and the relevant rules and regulations made thereunder. However no fees or remuneration, by whatever name called, shall be paid by the insurer to a referral company in respect of the policies that are sold without relying upon the data shared by it;

Provided that in the case of life insurance policies procured, where the premium is payable in other-than-yearly mode, the referral fee shall be paid only to the extent of the first year premium installment/s and that have been received by the insurer;

Provided further that in case of long term policies under general insurance, the referral fee shall be paid only to the extent of the premium installment/s in the first year of the policy and that have been received by the insurer;

(8) An insurer shall not pay any fees or remuneration, by whatever name called, for such database converted into sales more than once during the tenure of the referral arrangement.

(9) An insurer shall not pay any fees or remuneration, by whatever name called, on any type of renewal premium/policy payable from the second year and the subsequent years or for the sale of a new policy to the existing customer of the insurer;

(10) An insurer shall not, in respect of any database or lead, by whatever name called, make any payment in advance to any referral company;

(11) An insurer shall not pay the referral company fees or remuneration, by whatever name called, towards the costs incidental to the referral activities including maintenance of the database, infrastructure, training, entertainment, development, communication, advertisements, sales, promotion etc;

(12) An insurer shall not pay any remuneration towards acquisition of any database after the termination of the referral agreement;

(13) An insurer shall ensure that all the transactions in terms of the referral arrangement are in accordance with the provisions of the Act, the Insurance Regulatory and Development Act, 1999 (41 of 1999), the rules and regulations framed thereunder and such other directions as issued by the Authority from time to time;

(14) Every insurer shall forthwith terminate all the referral arrangements entered into prior to the coming into effect of these regulations that are not in conformity with the provisions of these regulations. Such arrangements shall however be allowed to continue subject to them being suitably modified or amended in terms of these regulations, within a period of six months from the date of notification of these regulations, and after obtaining the prior approval of the Authority;

(15) The insurer shall nominate one of its senior officials who reports to the board of directors of the insurer, as a compliance officer, who shall be responsible for the verification and due diligence pertaining to the proposed and existing referral companies and shall also be authorised to sign the referral agreements. The compliance officer shall also be responsible for reporting all matters pertaining to the referral agreements to the Authority;

(16) The insurer shall be responsible for the acts of omission or commission of its employees or the persons whose services have been availed or procured by it towards the referral arrangement.

CHAPTER V

PROCEDURE FOR ACTION IN CASE OF DEFAULT

Liability for action in case of default by the insurance company

12. An insurer that

(a) fails to exercise due diligence in relation to the referral arrangement entered into with the referral company;

(b) fails to furnish any information or furnishes wrong information to the Authority relating to the referral arrangement as required under these regulations;

(c) fails to comply with any of the obligations specified under these regulations;

(d) violates the conditions of its registration; or

(e) fails to comply with any of the provisions of the Act, the Insurance Regulatory and Development Act, 1999 (41 of 1999), the rules and regulations framed thereunder and such other directions issued by the Authority from time to time

shall be liable for any of the actions as provided for under the provisions of the Act, the Insurance Regulatory and Development Act, 1999 (41 of 1999), and the relevant Regulations made thereunder.

Provided that no such action shall be initiated by the Authority and order passed thereafter without giving an opportunity of hearing to the insurer;

Action against the referral company

13. The Authority may cancel the approval granted to a referral company or take any other action as deemed appropriate under the provisions of the Act in case the referral company fails to exercise due diligence or comply with any of the obligations under these regulations or act in accordance with the restrictions imposed upon it or acts contrary to the provisions of the Act, the Insurance Regulatory and Development Act, 1999 (41 of 1999), the rules and regulations framed thereunder and such other directions as issued by the Authority from time to time.

Provided that no such action shall be initiated by the Authority and order passed thereafter without giving an opportunity of hearing to the referral company.

Provided further that an insurer shall not be permitted to enter into a referral arrangement with such a referral company for a period of three years from the date of the Authority passing such an order.

Power of the Authority to issue clarifications

14. In order to remove any difficulties in respect of the application or interpretation of any of the provisions of these regulations, the Authority may issue appropriate clarifications or guidelines.

(J.Hari Narayan)
Chairman

SCHEDULE – I

Regulation - 3

Form – A

Application for Approval of the Referral Company

Details of the Insurer

1. Name :
2. Registration. Number:
3. Date of Registration:
4. Class of Business Pursued:
5. Particulars of remittance of fee:

Details of the proposed referral company

1. Name :
2. Complete address :
3. Details of registration including number, date etc:
4. Nature of its business:
5. Date of commencement of business:
6. Net Worth as at the end of the financial year during the last three financial years:
7. Turnover in each of the last three consecutive financial years:
8. List of other group/associate companies, if any, :
9. Nature of the business of the other group/associate companies:
10. Whether the company has any linkage, direct or indirect, with transaction or distribution of the business of insurance along with details, if any:
11. Whether the company carries out the sale or promotion of insurance products in its premises sale or promotion of insurance products in its premises along with details, if any:

12. Whether the company has a referral arrangement with another insurer in the same class of insurance business along with details, if any:
13. Whether the company has a database of its customers acquired in the course of its core business along with details, if any:
14. The number of clients in the database of the company as on the date of application:
15. Geographical area covered under the database
16. Whether the company is bound by any confidentiality/privacy/non-disclosure agreements with its customers/clients whose data is proposed to be shared with the insurer along with details, if any:
17. In case the proposed referral company is a bank, whether the bank is not eligible to be a corporate agent under the eligibility criteria stipulated by the Reserve Bank of India..
18. Any other relevant information required to be disclosed

I, the undersigned solemnly declare that the facts/details furnished in this application form on behalf of the insurer, are true to the best of my knowledge and that necessary due diligence has been carried out in respect of the details submitted in this form.

Place:

Date:

Signature of the Compliance
Officer of the Insurer with seal

Supporting Documents to be enclosed to the application:

1. Demand Draft
2. Memorandum of Association and Articles of Association.
3. Audited accounts of the company for the last three financial years.
4. Certificate issued by the Registrar of Companies
5. Particulars of Registration with Relevant Authority (in case of banks which are not companies)

SCHEDULE – I

Regulation - 11

Form - B

1. Name of the referral company :
2. Batch No. (Insurers shall allot a batch number to each set of data obtained from a Referral Company) :
3. Date on which data under the batch number is obtained: :
4. No. of items of data obtained under the batch number :
5. No. of policies sold out of the data obtained from the Referral Company :
6. Details of policies sold out of the references obtained under the batch number

Sl. No.	Name of the policyholder	Policy number	Date of the policy	Sl. No. in the list of items of data obtained	First premium of the first policy sold on the basis of reference of the referral company	Commission paid in respect of 6	Referral fee paid	Column (8) as a % of (7)
1	2	3	4	5	6	7	8	9

Note: Details of items of data obtained by insurer under each batch shall be maintained as an annexure, with serial numbers

THE GAZETTE OF INDIA
EXTRAORDINARY
PART III SECTION IV
PUBLISHED BY AUTHORITY
NEW DELHI, _____(Month) ___(Day), 2010
INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY
NOTIFICATION
HYDERABAD, THE _____, 2010
INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY
(TREATMENT OF DISCONTINUED LINKED INSURANCE POLICIES)
REGULATIONS, 2010

F.No. IRDA/Reg/___/2010 dated _____, 2010 - In exercise of the powers conferred by clause (zd) of sub-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 (4 of 1999), the Authority in consultation with the Insurance Advisory Committee, hereby makes the following regulations, namely:-

Short title and commencement

1. (1) These regulations may be called the Insurance Regulatory and Development Authority (Treatment of Discontinued Linked Insurance Policies) Regulations, 2010
- (2) They shall come into force on the date of their publication in the Official Gazette and shall apply to all products of linked life insurance cleared by the Authority thereafter.

Definitions:

2. (1) Unless the context otherwise requires,-
 - i. **“Act”** means the Insurance Act, 1938 (4 of 1938).
 - ii. **“Authority”** means the Insurance Regulatory and Development Authority established under sub-section (1) of section 3 of the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999)
 - iii. **“Date of payment of premium”** shall in terms of the provisions of Section 64 VB (2) of the Act mean the date on which payment is received by the insurer.
 - iv. **“Date of discontinuance of the policy”** shall for the purpose of these regulations, be the date on which the insurer receives the intimation from the insurer or policyholder about discontinuance of the policy or on the expiry of the notice period provided for in the sub-regulation (1) of regulation 5 of these regulations, whichever is earlier.

- v. **“Grace Period”** means the time granted by the insurer from the due date for the payment of premium without levy of any interest or penalty during which time the policy is considered to be in-force with the risk cover without any interruption as per the terms of the policy.
- vi. **“Discontinuance”**: means the state of a policy that could arise on account of non-payment of the contracted premium due before the expiry of the grace period or upon receipt of information by the insurer from the insured about the discontinuance of the policy.
Provided that no policy shall be treated as discontinued if, within the grace period, the premium has not been paid due to the death of the policyholder or the insured or both or upon the happening of any other contingency covered under the policy.
- vii. **“Discontinued Policy Fund”** means the segregated fund of the insurer that is set aside and is constituted by the fund value of all discontinued policies determined in accordance with these regulations.
- viii. **“Lock-in-period”** means the period of five consecutive years from the date of commencement of the policy, during which period the proceeds of the discontinued policies cannot be paid by the insurer to the policyholder or to the insured, as the case may be, except in the case of death or upon the happening of any other contingency covered under the policy.
- ix. **“Revival of a policy”** means restoration of the policy by the insurer, which was discontinued due to the non-payment of premium, with all benefits, with or without rider benefits if any, mentioned in the policy document, upon the receipt of all the premiums due and other charges if any, as per the terms and conditions of the policy, upon being satisfied as to the continued insurability of the policyholder on the basis of the information, documents and reports furnished by the policyholder.
- x. **“Segregated fund”** means the funds as referred to in Schedule II-A of the IRDA (Assets, Liabilities and Solvency Margin of the Insurers) Regulations, 2000.
- xi. **“Discontinuance charge”** means a charge that does not exceed the limits specified in these regulations, expressed as a percentage of one annualized level premium that can be levied upon discontinuance of a non-single premium policy.

(2) Words and expressions used and not defined in these regulations but defined in the Act, or the Insurance Regulatory and Development Authority Act, 1999 (42 of 1999) shall have the meanings respectively assigned to them in those Acts or the rules and regulations made there under, as the case may be.

Grace Period

3. The grace period for payment of the premium for all types of linked insurance policies shall be as follows:-

- i. Fifteen days, where the policyholder pays the premium on a monthly basis;
- ii. Thirty days, in all other cases.

Options of a policyholder upon discontinuance of the policy

4. A policyholder shall be entitled to exercise one of the following options upon the discontinuance of the policy:

- (i) Revival of the policy, or
- (ii) Complete withdrawal from the policy without any risk cover.

Obligations of the insurer for revival of the policy

5. Where a policy is discontinued, the insurer shall take the following steps to enable the policyholder to exercise the option as available in terms of regulation 4:

- (i) Send a notice within a period of fifteen days from the date of expiry of grace period to such a policyholder to exercise the said options within a period of thirty days of receipt of such notice.

Provided that where the policyholder does not exercise the option within the stipulated period of thirty days, the policyholder shall be deemed to have exercised the option mentioned at sub-regulation (ii) of regulation 4.

Explanation: The fund value of the policy shall be part of the segregated fund chosen till the policyholder exercises his/her option or till the expiry of thirty days of notice period which ever is earlier. During this period the policy is deemed to be in force with risk cover as per terms and conditions of the policy.

- (ii) Where the policyholder exercises the option to revive the policy, the risk cover along with investments made in the segregated funds, less applicable charges as per the terms and conditions of the policy, shall be continued.

Obligations of the insurer upon complete withdrawal of the policy

6. (1) Where the policyholder exercises the options available at sub-regulation (ii) of Regulation 4 or does not exercise the option available in terms of the proviso to sub-regulation (i) of regulation 5, the fund value of the policy shall be credited to the discontinued policy fund. The proceeds of the discontinued policy shall be refunded only upon completion of the lock in period. The income earned on the fund value shall also be apportioned to the discontinued policy fund and shall not be made available to the shareholders.

(2) The insurer shall refund the amount by means of a cheque or demand draft, to be delivered to the insured or the nominee, at his last known address or by any other electronic mode of payment. However, the insurer may deduct discontinuance charges on the date of discontinuance on such policies, which shall, not exceed the charges stated in sub-regulation (v) of regulation 7 of these regulations.

Provided that in case of pension and annuity linked products, the insurer shall not refund more than one-third of the proceeds of the discontinued policy while the remaining amount shall be used to purchase an annuity subject to the provisions of Section 4 of the Act.

Explanation:

(i) **“Proceeds of the discontinued policies”** means

The fund value as on the date the policy has discontinued, after addition of interest computed at the minimum interest rate of 3.50% p.a.

(3) Where the insured or his nominee cannot be traced, the said proceeds shall be set aside and shown separately in the annual report of the insurer with its age wise break-up. The insurer shall not write back or apportion the said proceeds to the income of the shareholders or to that of any other policyholder. The proceeds so set aside shall be dealt with in such manner as may be specified by the Authority from time to time.

Obligations of an insurer upon discontinuance of a policy

7. The obligations of the insurer in this regard shall be as follows :-

- i. To impose discontinuance charges only to recoup expenses incurred towards procurement, administration of the policy and incidental thereto.
- ii. To design the discontinuance charges to encourage the policyholder to continue with the contract for the full term;
- iii. To ensure that the discontinuance charges reflect the actual expenses incurred

- iv. To structure the discontinuance charges within the statutory ceilings on commissions and expenses and
- v. To ensure that the charges levied on the date of discontinuance (as a percentage of one annualized premium) do not exceed the limits specified below:-

Where the policy is discontinued during the policy year	Maximum discontinuance charges for the policies having annualized premium up to Rs.25,000/-	Maximum discontinuance charges for the policies having annualized premium above Rs.25,000/-
1	Lower of 20% * (AP or FV) subject to a maximum of Rs. 3000	Lower of 6% * (AP or FV) subject to maximum of Rs. 6000/-
2	Lower of 15% * (AP or FV) subject to a maximum of Rs. 2000	Lower of 4% * (AP or FV) subject to maximum of RS. 5000/-
3	Lower of 10% * (AP or FV) subject to a maximum of Rs.1500	Lower of 3% * (AP or FV) subject to maximum of Rs.4000/-
4	Lower of 5% * (AP or FV) subject to a maximum of Rs.1000	Lower of 2% * (AP or FV) subject to maximum of Rs.2000/-
5 and onwards	NIL	NIL

AP - Annualised premium

FV - Fund value on the date of discontinuance

Provided that where a policy is discontinued, only discontinuance charge may be levied by the insurer, and no other charges by whatsoever name called shall be levied.

Provided that no discontinuance charges shall be imposed on single premium policies and on top ups.

Disclosures relating to discontinued policies

8. (1) The funds arising from discontinuance policies shall be shown under a separate head in the Balance Sheet in the following manner:

Funds for discontinued policies

- (i) Discontinued on account of non-payment of premium;
- (ii) Others

- (2) The amount refunded to the policyholders and amount transferred to the “Funds for discontinued policies” during the financial year shall be shown under a separate head.
- (3) The following disclosures shall be made in the notes of the accounts
 - (i) Number of policies discontinued during the financial year;
 - (ii) Percentage of discontinued to total policies (product wise) during the year;
 - (iii) Number and percentage of the policies revived during the year;
 - (iv) Charges imposed on account of discontinued policies.

9. Every insurer shall send a statement of account, on a half yearly basis, within fifteen days, in respect of every policy in force including discontinued policies where the proceeds are yet to be paid to the policyholder or her nominee as the case may be, his last known address, which shall contain the following details :-

- (i) The total premium paid by the policyholder
- (ii) Next due date of the premium
- (iii) Pattern of the investment chosen
- (iv) Pattern of investment
- (v) Status of the policy
- (vi) Total fund value
- (vii) Total units
- (viii) Detail of charges recovered.

Action in case of default

10. (i) 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 discontinuance charges, treatment of all discontinued policies and the treatment of the proceeds thereof.

(ii) 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 on the, direct the insurer to reduce the discontinuance charges and refund the excess charges so imposed, to the policyholder

(iii) 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.

Power of the Authority to issue clarifications

11. In order to remove any difficulties in respect of the application or interpretation of any of the provisions of these regulations, the Authority may issue appropriate clarifications or guidelines, as and when required.

[J HARI NARAYAN]
Chairman

THE GAZETTE OF INDIA
EXTRAORDINARY
PART –III– SECTION 4
PUBLISHED BY AUTHORITY
NEW DELHI, JUNE _____, 2010

INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY
NOTIFICATION

HYDERABAD, THE _____ JUNE, 2010

**INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY (LICENSING
OF CORPORATE AGENTS) (AMENDMENT) REGULATIONS, 2010**

F.No. IRDA/Reg./ / .--In exercise of the powers conferred by sections 42 and 114A of the Insurance Act, 1938 (4 of 1938) read with section 26 of the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999), the Authority, in consultation with the Insurance Advisory Committee, hereby makes the following regulations to further amend the Insurance Regulatory and Development Authority (Licensing of Corporate Agents) Regulations, 2002, namely:-

- 1 (i) These regulations may be called the Insurance Regulatory and Development Authority (Licensing of Corporate Agents) (Amendment) Regulations, 2010.
- (ii) They shall come into force on the date of their publication in the Official Gazette.
- 2 In the Insurance Regulatory and Development Authority (Licensing of Corporate Agents) Regulations, 2002,
 - (i) In regulation 9, after sub clause (k) of clause (ii) of sub-regulation (2), the following sub clauses shall be added:-
 - (l) “engage, encourage, enter into a contract with or have any sort of arrangement with any person other than a specified person, to refer, solicit, generate lead, advise, introduce, find or provide contact details of prospective policyholders in furtherance of the distribution of the insurance product.
 - (m) pay or allow the payment of any fee, commission, incentive by any other name whatsoever for the purpose of sale, introduction, lead generation, referring or finding to any person or entity.

ii) In clause (iv) of sub-regulation (2) of regulation 9, the words “of any other insurance company” shall be omitted:

(iii) Regulation 11 shall be substituted by the following regulation, namely -

11(1) Where a corporate agent or a corporate insurance executive or a specified person which has been granted a license or a certificate, as the case may be, under these regulations,

(a) suffers at any time during the period of the license or certificate, as the case may be, from any of the disqualifications specified in sub-section (4) of section 42 of the Act;

(b) fails to comply with any of the conditions subject to which the license or a certificate, as the case may be, has been granted;

(c) contravenes any of the provisions of the Act, the Insurance Regulatory and Development Act, 1999 (41 of 1999), the regulations framed thereunder and such other guidelines or directions issued by the Authority from time to time; or;

(d) acts in a manner against the interest of the policyholder or against public interest;

the Authority may issue a notice to the corporate agent or the corporate insurance executive or the specified person requiring him to show cause within 21 days from the date of receipt of the notice, why the license granted to the corporate agent or the certificate to the corporate insurance executive or the specified person, as the case may be, should not be suspended or cancelled or any other action as considered appropriate by the Authority should not be initiated.

(2) During the proceedings, the corporate agent or the corporate insurance executive or the specified person shall produce any record relating to the insurance business in such form and within such time as may be ordered by the Authority.

(3) Upon considering the reply, if any, the Authority may pass an order directing the suspension or cancellation of the license granted to the corporate agent or the certificate of the corporate insurance executive or specified person, as the case may be, or pass any other order as deemed appropriate based on the facts of the case.

(4) Within 15 days from the date of passing of such an order, the Authority shall recover the license granted to the corporate agent or the certificate of the corporate insurance executive or specified person.

[J.Hari Narayan]
Chairman

Footnotes:

(1) The Insurance Regulatory and Development Authority (Licensing of Corporate Agents) Regulations, 2002, the Principal Regulations were published in the Gazette of India on 16.10.2002 vide F. No. IRDA/Reg./10/2002

(2) The Insurance Regulatory and Development Authority (Licensing of Corporate Agents) Regulations, 2002 were subsequently amended on 01.11.2007.

**THE GAZETTE OF INDIA
EXTRAORDINARY
PART – III SECTION 4
PUBLISHED BY AUTHORITY
NEW DELHI, JUNE ___, 2010**

**INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY
NOTIFICATION
HYDERABAD, THE _____ JUNE, 2010**

**INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY (INSURANCE
ADVERTISEMENTS AND DISCLOSURE) (AMENDMENT) REGULATIONS, 2010**

F.No. IRDA/Reg./ / .--In exercise of the powers conferred by sections 14 and 26 of the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999), the Authority, in consultation with the Insurance Advisory Committee, hereby makes the following regulations to further amend the Insurance Regulatory and Development Authority (Insurance Advertisements and Disclosure) Regulations, 2000, namely:-

- 1 (i) These regulations may be called the Insurance Regulatory and Development Authority (Insurance Advertisements and Disclosure) (Amendment) Regulations, 2010.
(ii) They shall come into force on the date of their publication in the Official Gazette.
- 2 In the Insurance Regulatory and Development Authority (Insurance Advertisements and Disclosure) Regulations, 2000,
 - (i) Sub-regulation (c) of regulation 2 shall be omitted.
 - (ii) The second proviso to clause (vi) to sub-regulation (1) of regulation 10 shall be omitted.

[J.Hari Narayan]
Chairman

Footnote:

(1) The Insurance Regulatory and Development Authority (Insurance Advertisements and Disclosure) Regulations, 2000, the Principal Regulations were published in the Gazette of India on vide F. No.....

To
CEOs of All Life Insurance Companies

Sub: Unit Linked Insurance Products (ULIPs)

Please refer following circulars:

1. IRDA/Actl/032/ Dec 2005 dated December 21, 2005 and subsequent clarifications issued
2. 061/IRDA/ACTL/March-2008 dated 12th March, 2008
3. IRDA/Actl/ULIP/055/2009-10 dated 24th September, 2009,
4. IRDA/Actl/CIR/ULIP/071/066/04/2010 dated 27th April, 2010 and
5. IRDA/ACTL/CIR/ULIP/071/05/2010 dated 3rd May, 2010

In order to meet the emerging needs of prospective insurance policyholders, this circular specifies certain elements which shall be incorporated in all ULIPs which may be offered for sale to the public commencing from September 1, 2010.

1. The three year lock-in period for all Unit Linked Products will be increased to a period of five years, including top-up premiums. During this period, no residuary payments on policies which are lapsed / surrendered / discontinued will be made. The residuary payments for policies arising out of policies which stand lapsed/surrendered/discontinued during the lock-in period shall be payable on the expiry of the lock in period and in accordance with the relevant Regulations of IRDA.
2. All regular premium / limited premium ULIPs shall have uniform / level paying premiums. Any additional payments shall be treated as single premium for the purpose of insurance cover.
3. All limited premium unit linked insurance products, other than single premium products, shall have premium paying term of at least 5 years.
4. The insurers shall distribute the overall charges, in ULIPs in an even fashion during the lock-in period.
5. All unit linked products, other than pension and annuity products shall provide a minimum mortality cover **OR** a health cover, as indicated below:

(i) Minimum mortality cover should be as follows:

Minimum Sum assured for age at entry of below 45 years	Minimum Sum assured for age at entry of 45 years and above
<u>Single Premium (SP) contracts:</u> 125 percent of single premium. <u>Regular Premium (RP) including limited premium paying (LPP) contracts:</u> 10 times the annualized premiums or (0.5 X T X annualized premium) whichever is higher. At no time the death benefit shall be less than 105 percent of the total premiums (including top-ups) paid.	<u>Single Premium (SP) contracts:</u> 110 percent of single premium <u>Regular Premium (RP) including limited premium paying (LPP) contracts:</u> 7 times the annualized premiums or (0.25 X T X annualized premium) whichever is higher. At no time the death benefit shall be less than 105 percent of the total premiums (including top-ups) paid.

(In case of whole life contracts, term (T) shall be taken as 70 minus age at entry)

(ii) The minimum health cover per annum should be as follows:

Minimum annual health cover for age at entry of below 45 years	Minimum annual health cover for age at entry of 45 years and above
<u>Regular Premium (RP) contracts:</u> 5 times the annualized premiums or Rs. 100,000 per annum whichever is higher, At no time the annual health cover shall be less than 105 percent of the total premiums paid.	<u>Regular Premium (RP) contracts:</u> 5times the annualized premiums or Rs. 75,000 per annum whichever is higher. At no time the annual health cover shall be less than 105 percent of the total premiums paid

6. All top-up premiums made during the currency of the contract, except for pension/annuity products, must have insurance cover treating them as single premium, as per above table.
7. The accumulated fund value of unit linked pension / annuity products is the fund value as on the maturity date. All ULIP pension / annuity products shall offer a minimum guaranteed return of 4.5 per cent per annum or as specified by IRDA from time to time, on the maturity date. This guaranteed return is applicable on the maturity date, for policies where all due premiums are paid. Mortality and / or health cover could be offered along with the pension/annuity products as riders, giving enough flexibility for the policyholders to select covers of their choice.
8. In the case of unit linked pension / annuity products, no partial withdrawal shall be allowed during the accumulation phase and the insurer shall convert the accumulated fund value into an annuity at the vesting date. However, the insured will have an option to commute up to a maximum of one-third of the accumulated value as lump sum at the time of vesting. In the case of surrender, only a maximum of one-third of the surrender value can be commuted after the lock-in period. The remaining amount

must be used to purchase an annuity, subject to the provisions of Section 4 of Insurance Act, 1938.

9. Vide circular 3rd cited above, caps on charges were fixed on Unit Linked contracts with a tenor of 10 years or less and for those with tenor above 10 years. However, taking into account the discontinuance/lapsation/surrender behavior and with a view to smoothen the cap on charges, the following limits are prescribed starting from the 5th policy anniversary:

Annualized Premiums Paid	Maximum reduction in yield (Difference between Gross and Net Yield (% pa))
5	4.00%
6	3.75%
7	3.50%
8	3.30%
9	3.15%
10	3.00%
11 and 12	2.75 %
13 and 14	2.50 %
15 and thereafter	2.25 %

10. The net reduction in yield for policies with term less than or equal to 10 years shall not be more than 3.00% at maturity. For policies with term above 10 years, the net reduction in yield at maturity shall not be more than 2.25%.
11. The maximum loan amount that can be sanctioned under any ULIP policy shall not exceed 40% of the net asset value in those products where equity accounts for more than 60% of the total share and shall not exceed 50% of the net asset value of those products where debt instruments accounts for more than 60% of the total share.
12. Circular No: 2 cited above will stand superseded by this circular and circular numbers 1, 3, 4 and 5 will stand modified to the extent prescribed in this circular.
13. All insurers are directed to conform to these features so that they can introduce the products with due approval from IRDA. From September 1, 2010 all unit linked products offered for sale shall conform to this circular,

(R. Kannan)
Member (Actuary)