



# भारतीय बीमा विनियामक और विकास प्राधिकरण INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY OF INDIA

Ref: IRDAI/Life/Cir/Misc/014 /01/2021

Date:25/01/2021

To All Life Insurers,

Re: Guidelines on Standard Individual Immediate Annuity Product, "Saral Pension"

## **A: Preamble:**

Indian life insurance market currently has several individual immediate annuity products marketed by life insurers, with each product having its own features, terms and conditions and annuity options. With a view to having uniformity across Insurers, and to make available a product by all Life Insurers that will broadly meet the needs of an average customer, it is felt necessary to introduce a standard, individual immediate annuity product, with simple features and standard terms and conditions. Such a standard product will make it easier for the customers to make an informed choice, enhance the trust between the Insurers and the insured, and reduce mis-selling as well as potential disputes.

Therefore, in exercise of powers under Section 34 (1) (a) of the Insurance Act, all Life Insurers are directed to offer the following product mandatorily.

## **B. The Standard Immediate Annuity Product:**

- 1) The standard individual immediate annuity product shall be called, "Saral Pension", prefixed by the Insurer's name.
- 2) The product offers the following annuity options, and no other options:
  - a) Life annuity with 100% Return of Purchase Price; and
  - b) Joint Life annuity with a provision of 100% annuity to the secondary annuitant on death of the primary annuitant and Return of 100% Purchase Price on death of last survivor.
- 3) The Insurers shall have to file the product as per the above parameters and in compliance with the extant regulatory provisions through File and Use (F&U).
- 4) The policy document and the terms and conditions of the Standard Product shall be in the format specified in Annexure -1 to this Circular.

**C: Plan Features and Parameters:**

<b>Criteria</b>	<b>Product Feature</b>
Name of the Product	“ <b>Saral Pension,</b> ” pre-fixed by the Insurer’s Name.
Type of the Product	Individual Immediate Annuity.
Brief description of the product	This is a Single Premium, Non-Linked Non-Participating Immediate Annuity Plan.
Target Market	Indian Population who wants to purchase Annuity. All types of lives shall be covered including Male, Female and transgender.
Individual/Group	Individual basis;
Premium Payment Option	Single Premium, being the purchase price for the annuity.
Type of Annuity Options	<p><b>Life Annuity with Return of 100% of Purchase price (ROP)</b></p> <p>Under this option, Annuity is paid for life of the annuitant. In addition, 100% Purchase Price will be returned to the nominee / legal heirs on death of the annuitant.</p> <p><b>Joint Life Last Survivor Annuity with Return of 100% of Purchase Price (ROP) on death of the last survivor.</b></p> <p>In this case, the annuity is first paid to the annuitant for life. After death of the annuitant, if the spouse is surviving, the spouse continues to receive same amount of annuity for life till his/her death. Subsequently, on death of the spouse, Purchase Price shall be payable to nominee / legal heirs. However, if the spouse has pre-deceased the annuitant, then on the death of the annuitant, the Purchase price shall be payable to the nominee / legal heirs.</p>
Mode of Annuity payment	Monthly, Quarterly, Half-Yearly and Yearly. Payments shall be in arrears only, which means that the first annuity payment will start after the modal duration; for example after three months in case of quarterly mode. Modal factors to be derived with an interest rate consistent with pricing rate of interest.

<p>Benefits payable on:</p> <p>Death</p> <p>Survival</p> <p>Maturity</p> <p>Surrender on diagnosis of critical illness of the annuitant(s)</p>	<p>In case of single life annuity, 100% of Purchase price.</p> <p>In case of joint life annuity, after death of the annuitant:</p> <ul style="list-style-type: none"> <li>- If the spouse is surviving, the spouse continues to receive same amount of annuity for life till his/her death. Subsequently, on death of the spouse, 100% Purchase Price shall be payable to nominee / legal heirs.</li> <li>- However, if the spouse has pre-deceased the annuitant, then on the death of the annuitant, the Purchase price shall be payable to the nominee /legal heirs.</li> </ul> <p>Annuity is payable during the survival of the annuitant.</p> <p>There is no Maturity Benefit under the product.</p> <p>The policy can be surrendered any time after six months from the date of commencement, if the annuitant or the spouse or any of the children of the annuitant is diagnosed as suffering from any of the critical illnesses specified in the Policy Document, based on the documents produced to the satisfaction of the medical examiner of the Insurer. The list of critical illnesses may be revised from time to time by the Authority as needed. On approval of surrender, 95% of the Purchase Price shall be paid to the annuitant, subject to deduction of outstanding loan amount and loan interest, if any. On payment of surrender value, the policy stands terminated.</p>
<p>Loan</p>	<p>Loan can be availed any time after six months from the date of commencement of the policy. Maximum amount of loan that can be granted under the policy shall be such that the effective annual interest amount payable on loan does not exceed 50% of the annual annuity amount payable under the policy. Under joint life option, the loan can be availed by the primary annuitant and on death of the primary annuitant, it can be availed by the secondary annuitant.</p> <p>The interest on loan shall be at 10-year G-Sec rate per annum as at 1<sup>st</sup> April, of the relevant financial year, as published by M/s. FBIL, plus not more than 200 bps and shall be applicable for all loans granted during the period</p>

	<p>of twelve months, beginning 1<sup>st</sup> May of the relevant financial year.</p> <p>The loan interest will be recovered from the annuity amount payable under the policy. The loan interest will accrue as per the frequency of annuity payment under the policy and it will be due on the date of annuity. The loan outstanding shall be recovered from the claim proceeds under the policy. However, the annuitant has the flexibility to repay the loan principal at any time during the currency of the annuity payments.</p> <p><i>Note: Whenever the purchase price is paid through cheque, the Insurer shall ensure that before commencing payment of annuity or allowing loan or surrender payment, the cheque is realized.</i></p>												
Minimum Annuity	Rs. 1000 per Month, Rs. 3000 per Quarter, Rs. 6000 Per half year and Rs. 12000 per annum.												
Maximum Annuity	No Limit												
Minimum & Maximum Purchase Price	This depends on Annuity Amount.												
Entry Age: Minimum Maximum	40 Years last birthday 80 Years last birthday												
Policy Term	This is a whole Life Product												
Restrictions	No restrictions; including no restriction on travel or future occupation.												
Commission	As per the current norms												
Distribution Channel	All types of distribution Channel. This is left to the insurers.												
Free Look cancellation	As per Current Norms												
Pricing of the Product	<p>Pricing is left to the insurers. However, annuity rates should be derived based on actuarial principles and ensure that such annuity rates are fair and reasonable to customers. Band wise Annuity rates shall be derived in respect of the following bands:</p> <table border="1"> <thead> <tr> <th>Band</th> <th>Purchase Price range</th> </tr> </thead> <tbody> <tr> <td>Band -1</td> <td>Less than Rs. 200,000</td> </tr> <tr> <td>Band – 2</td> <td>Rs. 200,000 to less than 5,00,000</td> </tr> <tr> <td>Band – 3</td> <td>Rs. 5,00,000 to less than 10,00,000</td> </tr> <tr> <td>Band – 4</td> <td>Rs. 10,00,000o less than 2,500,000</td> </tr> <tr> <td>Band - 5</td> <td>Rs. 2,500,000 and above</td> </tr> </tbody> </table>	Band	Purchase Price range	Band -1	Less than Rs. 200,000	Band – 2	Rs. 200,000 to less than 5,00,000	Band – 3	Rs. 5,00,000 to less than 10,00,000	Band – 4	Rs. 10,00,000o less than 2,500,000	Band - 5	Rs. 2,500,000 and above
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	In case of Joint Life Annuity, insurers may calculate annuity rates based on actual age difference between the principal annuitant and his or her spouse.
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All Life Insurers permitted to transact new business shall mandatorily offer the standard product with effect from 1<sup>st</sup> April, 2021. The product may be filed by the Insurers latest by 28<sup>th</sup> February, 2021.

This is issued with the approval of the Competent Authority.

**-Signed-  
Chief General Manager (Life)**

Encl: Annexure 1 – Policy Bond.