

Final Draft

Industry Self Regulation **Standards of Conduct and Sound Practice**

1. Product Design

- 1.1. An extension to a life policy in the form of rider must not be made compulsory at any time during the term of the policy.
- 1.2. Avoid use of terms like Vanishing Premiums.
- 1.3. Where an insurer proposes to defer the policy holder's right to participate in surplus, the insurer shall make a clear statement to the effect in the sales brochure.

2. Brochures

- 2.1 A brochure shall be written in simple, unambiguous and easily comprehensible language. There should be no statement which may lead to a misunderstanding.
- 2.2 An insurer shall discontinue any brochure which becomes misleading following any material change of circumstances.
- 2.3 An insurer shall not issue or use a brochure providing information on benefits where such information is inconsistent with terms and conditions as filed with the Regulator.
- 2.4 Any reference to past performance in the sales illustration, if used by an Insurer, shall be appropriate to the product being illustrated and include a statement that past performance may not be a guide to future performance which may be different.
- 2.5 Sales illustration will clearly distinguish between guaranteed and non-guaranteed benefits and the quantum of benefits in respect of non-guaranteed products may vary.
- 2.6 An insurer shall review the assumptions in its sales illustrations at least once in a year and where the assumptions are no longer valid, revise the sales illustration.

3. Premium Receipts

- 3.1 Where **an** insurer does not provide insurance until the proposal has been examined and accepted by the insurer, the receipt for a payment towards premium shall specifically state that insurance protection shall only be provided effective from the date of acceptance of risk.
- 3.2 Where a proposal is received along with the deposit of an amount from the proposer, the insurer shall make it clear that the commencement of risk shall be effective from the date of acceptance of risk.

4. Illustrations

- 4.1 All Life Insurance companies must provide official illustrations to customers directly or through their intermediaries for all products.
- 4.2 All illustrations must be in consultation with the Appointed Actuary and authorized for use by the management of the Company and should be reasonable and fair to enable a customer to make an informed decision.
- 4.3 There should be two views on rate of return on investments of funds (the rate) that are illustrated a higher rate and a lower rate. The rates to be used are as set by the Life Insurance Council from time to time and all life companies shall use the same rates. All charges in respect of fund management and policy charges are to be deducted from these gross investment return assumption. For the avoidance of doubt this means that illustrations based on higher and lower rates of return should show a projected fund value after all charges associated with the policy and investment of funds have been deducted. No insurer shall issue illustrations in any other way.
- 4.4 All illustrations must be reviewed at least once a year in April. The Life Insurance Council may,

- if required by IRDA, set the higher and lower projection of interest rates more frequently than annually. The initial rates to be used in projections are 6% p. a. and 10% p. a.
- 4.5 Should an insurer wish to use a lower illustrative rate then that insurer is free to do so, but under no circumstance should a higher rates be used than those set by the Council.
 - 4.6 There should be a standard common language statutory warning on all illustrations. The following phrase must appear on the front page of illustrations in the same sized type as the rest of the text. "Some benefits are guaranteed and some benefits are variable with returns based on the future performance of your Life Insurance Company. If your policy offers guaranteed returns then these will be clearly marked "guaranteed" in the illustration table on this page. If your policy offers variable returns then the illustrations on this page will show two different rates of assumed future investment returns. These assumed rates of return are not guaranteed and they are not the upper or lower limits of what you might get back as the value of your policy is dependent on a number of factors including future investment performance.
 - 4.7 The process of issuing illustrations should be controlled in such a manner that customers are provided illustrations that are authorized by Appointed Actuary and approved by the Management of the Company.
 - 4.8 All policy, fund management and other policy charges payable by customers should be included explicitly within the illustration tables.
 - 4.9 Indicated within the illustration should be the Company's policy on surrender values. A Company may show illustrative surrender values if it wishes and may indicate whether or not guaranteed.

5. Policy Information Statement

- 5.1 An insurer shall issue together with a life policy, a policy information statement containing at least the following information, unless the Policy document contains it.
- 5.2 The facility available for mode and periodicity of payment of premium.
- 5.3 The person or office to be contacted for any enquiry or service relating to the policy
- 5.4 The importance of advising the insurer of any change of address of the policy holder or the nominee.
- 5.5 The availability of mechanism to address complaints and grievances of policyholders as also information in respect of Insurance ombudsmen in the resolution of any dispute arising from the policy.

6. Periodic Statement

- 6.1 Every insurer shall inform all policy holders the status of the policy annually.

7. Implementation

- 7.1 All Life Insurers will comply with this Regulation except section 4 "Illustrations" with immediate effect
- 7.2 Section 4 "Illustrations" shall be complied with, by 1st January, 2004.

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