



बीमा विनियामक और विकास प्राधिकरण
**INSURANCE REGULATORY AND
DEVELOPMENT AUTHORITY**

CIRCULAR

Ref: IRDA/ACT/GDL/LIF/248/11/2011

8th November, 2011

To
All Life Insurance Companies

Re: Guidelines for Pension Products

Pension products offered by life insurance companies have a special role to play in promoting and protecting the social security by provision of stable and adequate retirement income. The regulatory framework for pension business of life insurance industry should take into consideration the long term risks inherent in the pension products. The need for greater security of the pensioner's fund and the stability and financial viability of the insurance companies need to be balanced for healthy growth of the sector. Authority issues following instructions under section 14 of IRDA Act to achieve the above stated objectives.

1. Pension products may be offered on any of the following platforms:
 1. Individual or group unit linked pension products;
 2. Individual or group non-unit linked pension products;
 3. Variable insurance pension products;
2. All pension products shall have explicitly defined assured benefit that is applicable on death, on surrender and on vesting, which is disclosed at the time of sale.
3. The assured benefit shall be utilized on the vesting date or on the date of surrender or on date of death in accordance with the provisions in 6, 7 and 8, as applicable.



बीमा विनियामक और विकास प्राधिकरण
INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY

4. All group pension products with defined benefits subscribed to by an employer, where the scheme does not maintain individual member accounts and only maintains a superannuation fund, the assured benefit shall be applicable on the entire superannuation fund available with the insurer. In such products the benefits accruing on exits like death, retirement, termination etc. shall be payable in accordance with the superannuation scheme rules of the employer.
5. Pension products offered by the insurers may have an insurance cover throughout the deferment period or may offer riders. The sum of all rider premiums attached to the pension product shall not exceed 15% of the premium paid for the pension policy. Such rider premiums shall be separately accounted for and shall not be included in arriving at the assured benefit as referred in 2 above.
6. On the date of surrender after the lock-in period, the policyholder shall have all the following options :
 1. to commute to the extent allowed under Income Tax Act and to utilize the balance amount to purchase immediate annuity, which shall be guaranteed for life, at the then prevailing annuity /pension rate, or
 2. to utilize the entire proceeds to purchase a single premium deferred pension product; or
7. On the date of vesting, the policyholder shall have all the following options:
 1. to commute to the extent allowed under Income Tax Act and to utilize the balance amount to purchase immediate annuity, which shall be guaranteed for life, at the then prevailing annuity /pension rate, or
 2. to utilize the entire proceeds to purchase a single premium deferred pension product; or
 3. to extend the accumulation period/deferment period in the same policy, provided the policyholder is below an age of 55 years.



बीमा विनियामक और विकास प्राधिकरण
INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY

8. If the policyholder dies during the deferment period, the nominee shall be entitled to:
1. utilize the entire proceeds of the policy or part thereof for purchasing an annuity at the then prevailing rate; OR
 2. withdraw the entire proceeds of the policy;
9. At the time of vesting, the annuity shall be provided by the same insurer who contracted the original pension policy.
10. For all the individual unit linked pension products, during the first five years of the policy, IRDA (Treatment of discontinued linked insurance policies) Regulations 2010 shall be applicable and with respect to the closure of the contract at the end of the lock-in period the extant Income Tax Rules shall be complied.
11. For the purpose of financial planning, any pension product offered by the insurer shall comply with the sales literature guidelines issued by the Life Insurance Council circular number LC/SP/Ver 1.0 dated 3rd February, 2004 and shall also necessarily disclose:
1. An illustrative target purchase price for each policyholder considering the premium payment capacity, age, vesting age and the future expected conditions.
 2. Possible risks involved, if any, including the targeted pension rate in meeting the targeted purchase price.
 3. Possible risks involved, if any, in purchasing the targeted pension rate/annuity rate.
 4. An illustrative target annuity/pension rates for the illustrative target purchase price.
12. An yearly disclosure, in Annexure-I, to each policyholder on 1st April indicating:
1. The current accumulated/available amount;
 2. The expected accumulated/available amount on the date of vesting on the basis of the then prevailing and the likely assumed economic & demographic environment, as



बीमा विनियामक और विकास प्राधिकरण
**INSURANCE REGULATORY AND
DEVELOPMENT AUTHORITY**

relevant, with the caveat, that the projected rates may not reflect any guarantee;

3. Likely annuity amounts based on the then prevailing annuity rates and on assumed interest rates of 4% p.a. and 8%p.a., with the caveat, that the projected rates may not reflect any guarantee;
13. In all the pension products, for the purpose of providing the benefit illustration as stated in 11 above, the format in Annexure-II shall be followed. For the unit linked pension contracts, this shall be in addition to the extant rules as applicable for providing the benefit illustrations.
14. All the unit linked pension products shall comply with the extant regulations and circulars except those explicitly modified under this circular. All the non-unit linked pension products and variable insurance products shall comply with the extant regulations and circulars except those explicitly modified under this circular.

Note: For the purpose of this circular:

15. For the purpose of illustration:
 - a. Target purchase price shall mean an absolute amount guaranteed at the outset of the contract and/or the accumulated value of the premiums/ contributions accumulating at an illustrative rate of 4% p.a. and 8%p.a., which is expected to meet the policyholder's pension needs after allowing for commutation.
 - b. Targeted pension rate shall mean the pension that a policyholder expects to receive at the date of vesting at an illustrative assumed rate of interest of 4%p.a. and 8%p.a. allowed in pricing the annuity.
16. "Guaranteed for life" for the purpose of this circular shall mean:
 - a. the amount of annuity is guaranteed, in absolute terms, at the time of vesting or at the time of surrender or at the time of sale and



बीमा विनियामक और विकास प्राधिकरण
**INSURANCE REGULATORY AND
DEVELOPMENT AUTHORITY**

b. such guaranteed amount shall become payable as long as the policyholder survives.

17. An assured benefit shall mean at least one of the guarantees from the following options:

a. Providing a minimum return (non-zero positive return) on all the premiums paid during the period of contract, which shall be disclosed at the time of purchase of contract;

b. Providing a guaranteed maturity benefit (in absolute amounts) which shall be utilized at the vesting date or guaranteed death benefit payable on death or guaranteed surrender benefit payable on surrender, and which shall be disclosed at the time of purchase of contract;

18. The prevailing annuity rate shall mean the annuity rates that are approved by the Authority as per file and use procedure and are attached to the pension products

19. Commutation shall mean the giving up of a part or all of the annuity payable from vesting/surrender for an immediate lump sum.

The guidelines shall be effective from 01st December, 2011. All the existing products which do not meet the guidelines shall be withdrawn from 01st January, 2012.

Enclosures: 1: Annexure-I: Disclosure Form;
2: Annexure-II: Benefit Illustration;


(J. Hari Narayan)
Chairman

Annual Disclosure as on 1st April XXXX

Company Name	xxxxxx
Product Name	xxxxxx
Rider(s), if any	xxxxxx
Base Plan UIN	xxxxxx
Rider(s) UIN	xxxxxx
Date of Illustration	xxxxxx
Personal Details	
Life 1	Name
xxxx	Age
	Gender
	xx
Policy Details	
Date of policy commencement	xxxxx
Policy Term	xxxxx
Premium	xxxxx
Premium Payment term	xxxxx
Premium Frequency	xxxxx
Base Plan Sum Assured(Optional), if any	xxxxx
Rider(s)Sum Assured,if any	xxxxx
Vesting Age	xxxxx
Assured Benefit	
Minimum Return on the Premiums Paid	xxx
Guaranteed Vesting Benefit	xxx
Guaranteed Annuity	xxx

ANNEXURE-I

Policy Year	Age	Accumulated/available amount		Amount of pension based on prevailing annuity rates	Amount of pension based on the expected longevity of _____ years and	
		for commutation	for annuitization		Assumed Investment Return	4%
Current year	xx	xx	xx	xx	xx	xx
Date of vesting*	xx	xx	xx	xx	xx	xx

* The projected amounts as per the policy terms and conditions
 he projected rates may not reflect any guarantee;

Benefit Illustrations for pension products

ANNEXURE-II

Company Name	xxxxxx
Product Name	xxxxxx
Rider(s), if any	xxxxxx
Base Plan UIN	xxxxxx
Rider(s) UIN	xxxxxx
Date of Illustration	xxxxxx

Personal Details

Life 1	Name	Age	Gender
xxxx	xxxxx	xxx	xx

Policy Details

Date of policy commencement	xxxxx
Policy Term	xxxxx
Premium	xxxxx
Premium Payment term	xxxxx
Premium Frequency	xxxxx
Base Plan Sum Assured(Optional), if any	xxxxx
Rider(s)Sum Assured,if any	xxxxx
Vesting Age	xxxxx

Assured Benefit

Minimum Return on the Premiums Paid	xxx
Guaranteed Vesting Benefit	xxx
Guaranteed Annuity	xxx

Illustrative Benefits on Vesting

Policy Year	Age	Premium		Guaranteed Vesting Benefit	Bonuses/Non-Guaranteed Benefits		Total Vesting benefit	
		During the Year	Cumulative		Assumed Investment Return	Assumed Investment Return	Assumed Investment Return	Assumed Investment Return
xx	xx	xx	xx	xx	4%	6%	4%	6%
xx	xx	xx	xx	xx	4%	6%	4%	6%
Annuity payable(per annum) based on the total vesting benefit given above and the current annuity rates					xxxx	xxxx	xxxx	xxxx

Illustrative Benefits on Death

Year of death	Guaranteed Death Benefit	Bonuses/Non-Guaranteed Benefits		Total Death Benefit	
		Assumed Investment Return	Assumed Investment Return	Assumed Investment Return	Assumed Investment Return
		4%	6%	4%	6%
XX	XX	XX	XX	XX	XX
XX	XX	XX	XX	XX	XX

Illustrative Benefits on Surrender

Assumed Year of Surrender	Guaranteed Surrender Benefit	Bonuses/Non-Guaranteed Benefits		Total Surrender Benefit	
		Assumed Investment Return	Assumed Investment Return	Assumed Investment Return	Assumed Investment Return
		4%	6%	4%	6%
XX	XX	XX	XX	XX	XX
XX	XX	XX	XX	XX	XX

Notes:

The values shown above are for illustration purpose only
 The actual annuity amount receivable depends on the prevailing annuity rates at the time of vesting
 The Guaranteed values is based on the minimum investment return guaranteed under of the policy
 The Non-Guaranteed values are based on assumed investment returns of 4% & 8% and these are not upper or lower limits of what you might get back
 The annuity at the time of vesting will be provided by the above Insurance Company only.
 For more details on risk factors, terms and conditions please read sales brochure carefully before concluding a sale
 This benefit illustrations for unit linked pension products shall be in addition to the existing benefit illustration as required for ULIPs

Marketing Official's Signature

Company Seal

Place

Date

Prospect's/Policyholder's Signature