



Circular No: 049/IRDA/ACTL/ULIP/JANUARY-08

1<sup>st</sup> January, 2008

To  
All Life Insurers

**Sub: Benefit illustrations for Unit Linked Products**

Please refer to our earlier letter dated No.2/IRDA/ACTL/DC/2007-08 dated 17<sup>th</sup> December, 2007, requesting comments on the captioned draft circular. We are thankful to those who were kind enough in sending their responses.

The purpose of this circular is to provide the prospect/policyholder all relevant information regarding amounts deducted towards various charges for each policy year so that the prospect/policyholder can take an informed decision. The present step will no doubt pave the way towards standardizing the disclosures which would result in greater transparency and enhanced policyholders' confidence. You all will agree that this is crucial at this hour as unit linked products are assuming a significant share in the total portfolio. In this context, the following are to be ensured:-

- a. Life insurance companies are required to conform to the format (**Table-A**) enclosed which lists out all charges to be paid and also the amount available for investment in each policy year.
- b. Information specific to the particular policyholder only shall have to be used.
- c. Insurers must also give figures separately in a table about guaranteed benefits and non-guaranteed benefits for each policy year (**Table-B**) keeping in view the interest rates as specified by the Life Insurance Council's circular. At present the interest rates used for benefits

*RD*  
1/1/08

illustrations are 6 % p.a and 10% p.a respectively. This table (**Table-B**) is already in practice.

- d. The policy holder must sign both Table-A and Table-B along with the sales person on the day when he/she signs the proposal form. These tables shall become part of policy document and a copy must be sent to the policy holder along with the policy document.
- e. This circular is applicable to all unit linked products (both new and existing) and shall come into force with effect from **February 1, 2008.**

Please acknowledge the receipt of the circular.

A handwritten signature in black ink, appearing to read 'R. Kannan', with a date '1/1/08' written below it.

R. Kannan

Member (Actuary)

**Table-A**

**(Applicable to Linked Products)  
(This shall form a part of the policy document)**

Proposal No: Policy No:
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**PRODUCT FEATURES:**

- |   |                                  |
|---|----------------------------------|
| 1. Name of the Product:   | 2. Unique Identification Number: |
| 3. Sum Assured:   | 4. Policy Term:                  |
| 5. Premium payment term:  |                                  |
| 6. Mode of premium: <i>SP/Non SP (If non SP, indicate the mode)</i> |                                  |
| 7. Amount of installment premium:                                   |                                  |
| 8. Statement of charges and amount for investment:                  |                                  |

**(In Rupees)**

At the start of the Policy Year	1	2	3	4	5	6	7	8	9	10	and so on
Amount of installment Premium											
Amount of Premium Allocation Charge											
Amount of Policy Administration Charge											
Amount of any other charge (Please specify clearly)											
a)											
b)											
c)											
Sub Total											
Total Charges											
Amount allotted for investment											

**IN THIS POLICY, THE INVESTMENT RISK IS BORNE BY THE POLICY HOLDER.**

**Note:-**

1. Some charges are collected immediately after the allocation is made, through cancellation of units. Please specify these charges with rates.
2. Some charges are collected at the end of the year, through cancellation of units. Please specify these charges with rates.
3. Policyholder should receive a document (the glossary for various terms of charges used) from the insurer.

I,.....(Name), having received the information with respect to the above, have understood the above statement before entering into the contract.

**Marketing officials'**

**Policyholders' Signature**

**Signature:**

**Company Seal:**

**Place:**

**Date:**

