



बीमा विनियामक और विकास प्राधिकरण

**INSURANCE REGULATORY AND  
DEVELOPMENT AUTHORITY**

Circular

Ref No: IRDA/ACTL/REG/CIR/...../07/2014-15

July 07, 2014

To

All the CEOs of the Life Insurance Companies

**Re: File and Use Procedure for Group Products and Immediate Annuity  
Products**

Ref:

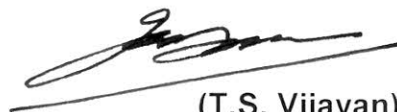
- Circular No: 01/IRDA/ACTL/MC/2006-07 dated 12<sup>th</sup> July 2006
- Circular No: 064/IRDA/ACTL/March-2008 dated 18<sup>th</sup> March'2008
- IRDA/ACTL/FUP/Ver A/Aug 2003 dated 2-09-2003

The Authority notified IRDA (Non-Linked Insurance Products) Regulations, 2013, IRDA (Linked Insurance Products) Regulations, 2013 in February'2013

- The circulars cited above were reviewed in the light of these regulations and the current practices that are being adopted by the life insurance industry for pricing of group products. It is observed in group products that the premiums approved under file and use procedure and the actual premium quoted to various groups appear different.
- In this connection, the Authority draws the attention of the insurers that in the regulations cited above, various types of group products, their product structure and their specific features have been addressed. Hence, the Authority withdraws the cited circulars [a] and [b] above with immediate effect and issue the following guidelines in accordance with the power vested with the Authority under Section 14 of IRDA Act, 1999.
- In respect of pricing of the group products (other than fund based group products):
  - The insurers shall have Board approved underwriting policy for each group product.
  - Where different premiums rates are filed for different mortality rates, the selection of a specific mortality rate for a particular group shall be in accordance with an objective criteria prescribed in the underwriting guidelines approved by the Board.
  - The discounts and loadings offered based on various rating factors specific to the group, such as group size, shall:
    - not be at the discretion of the insurer;

- b. be based on an objective criteria;
  - c. be in accordance with the Board approved underwriting policy.
- iv. The discounts and loadings, if any, shall be applied on the premium applicable for the selected mortality filed and approved under the file and use procedure.
  - v. The discounts for various rating factors specific to the group, which would be accounted for arriving at the final premium, shall comply with the Section 41 of the Insurance Act, 1938 and Rule 11 & 12 of the Insurance Rules, 1939.
  - vi. The discounts, if any, all put together shall not be more than 30% of the premiums approved under the file and use procedure.
  - vii. Similarly the loadings, if any, all put together shall not be more than 30% of the premiums approved under the file and use procedure
  - viii. The discounts or loadings, if any, exceed 30% of the premium, all such discounts or loadings shall be filed and approved under the file and use procedure.
  - ix. If experience rating/profit sharing is allowed in a group product, the method for experience rating or profit sharing shall be in accordance with the circular cited in [c] above and the method shall be clearly stated in the sales literature and all the related documents in accordance with the Section 41 of the Insurance Act, 1938 and Rule 11 & 12 of the Insurance Rules, 1939.
5. With reference to all immediate annuity products (individual and group), life insurance companies have to follow the existing procedure of obtaining the approval whenever new products are introduced in the market. However, subsequent to introduction of these products, life insurance companies have the flexibility to vary annuity rates in the range of -10% to +10% of the approved annuity rates without taking the prior approval of the Authority, provided the change is due to changing interest rates scenarios to enable the life insurance companies to change annuity rates quickly so as to have an efficient asset and liability management. In all such circumstances, the insurer shall file with the Authority such revised rates along with the revised assumptions within 7 days from the date of revision. However, where the annuity rates have to change by more than 10%, the existing file and use procedure for modification shall be followed.

The circular comes into force with effect from **01.10.2014** and all insurers are advised to ensure necessary compliance.

  
(T.S. Vijayan)  
(Chairman)