Product Management & Pricing Policy

(Version 3, July 2023)

Date	Particulars	Approved By
July 2022	*Ver 1.0*	*Board*
November 2022	*Ver 2.0*	*Board*
July 2023	*Ver 3.0*	

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1. BACKGROUND

The following circulars were released by IRDAI that enhances the scope of the existing Product Management & Pricing Policy (BAPMPP):

- Circular "Ref No. IRDAI/ACTL/CIR/PRO/81/3/2023" dated 31st March 2023 (Sub - "Use and File" Procedure for Products).
- Circular "Ref No. IRDAI/ACTL/CIR/PRO/135/06/2023" dated 20th June 2023 (Sub – "Use and File" Procedure for Life Insurance Products)

Further, on 4th October 2022, IRDAI had release a circular: "Ref No. IRDAI/ACTL/CIR/PRO/207/10/2022" (Sub-Circular on filing of Products/Riders for Life Insurance Business), herein referred to as "Circular". This circular consolidates all the earlier circulars related to File & Use and Use & File Procedures.

2. OBJECTIVES AND SCOPE OF THE POLICY

2.1 The objectives of the Policy are set out below:

a. To lay out the constitution of the Product Management Committee ("Committee") (section 3 below).
b. To provide guidance to the Committee to approve the products/ridersand ensure products are designed and priced in adherence to the IRDAI regulations/guidance (section 5 below) and in line with generally accepted market practices and actuarial principles.
c. To provide guidance to the Committee to ensure all the relevant processes and suitable infrastructure and system requirements for the product/rider to be launched are established (section 5 below).

2.2 The scope of the Policy is set out below:

This Policy will apply only to the products/riders which are filed or modified under Section B and Section C of Chapter I – Use & File procedure of the Circular (Ref No. IRDAI/ACTL/CIR/PRO/207/10/2022), as mentioned in Annexure 1 or any new category of the products or riders suggested by IRDAI.

It is noted that the Use & File process for filing of new products does not apply to the following lines of business/products, in which case the Chapter II - File & Use procedure of the Circular (Ref No. IRDAI/ACTL/CIR/PRO/207/10/2022) and internal product approval governance would apply before IRDAI filing:

a. Non-linked Non-Par savings;
b. Non-linked par savings;
c. Pension/annuity products; or
d. Any other product not covered under Chapter I of the Circular.

3. CONSTITUTION OF THE PRODUCT MANAGEMENT COMMITTEE (PMC)

3.1 Pursuant to the requirement of the Circular as well as the Company's internal processes, the PMC shall comprise:

S. No.	Designation	Acting as
1	Chief Financial Officer	Chairperson of the Committee
2	Appointed Actuary	Member
3	Chief Risk Officer	Member
4	Chief Distribution Officer	Member
5	Chief Technology Officer	Member
6	Chief Compliance Officer	Member
7	Head of Operations	Member
8	Head – Corporate Planning & Governance (Nippon Representative)	Member

3.2 Following people will be invitees to the Committee:

S. No.	Designation
1	Head of Products
2	Head of Pricing
3	Head-Nippon Best Practices
4	Any other member as deemed necessary

3.3 The quorum shall be four members being the Appointed Actuary and 3 members.

3.4 As per the Circular, it is acknowledged that the CEO shall have an overall responsibility for ensuring that a robust due diligence process is in place to mitigate risks arising from the products.

4. TERMS AND REFERENCE COMMITTEE CHARTER

The Committee shall review and approve all new products/riders and minor modifications within the ambit of Chapter I of the Circular or amendment from IRDAI from time to time by discharging the following duties:

a. Review and approve all the products/riders in line with Policy;
b. Ensure that the Company has an internal process for product development in respect to the products & riders being approved under the Chapter I of the Circular dated 4th October 2022;
c. Ensure that the benefits reflecting in sales literature and the terms and conditions reflecting in the policy document are consistent with the approved design;

d. Carry out a due diligence process and record its concurrence/sign off on various product related risks (such as risks related to capital requirements, profitability, underwriting, reinsurance etc.) to ensure proper product design, appropriate pricing, and filing with complete compliance of regulatory requirements;
e. For products / riders issued under Chapter I of the Circular, the Committee shall issue a system readiness certificate and be considered as the " delegated risk committee" of the Board for the purpose of Regulation 10 of IRDAI (Non-Linked Insurance Products) Regulations, 2019 and Regulation 36 of IRDAI (Unit-Linked Insurance Products) Regulations, 2019; and
f. The PMC shall review, approve and recommend the Product Management & Pricing Policy (BAPMPP) to the Board. The minutes of the PMC meeting approving the product /rider shall form a part of the filing documents.
g. Ensure that new product/rider is launched within 15 days from the date of generation of UIN, with an intimation to the Authority.

Frequency of meeting:

The Committee shall meet as and when required to transact the business and carry out the functions & duties assigned to it.

5. PRINCIPLES AND GUIDANCE FOR PRODUCT DEVELOPMENT & APPROVAL

The following principles and guidance will apply when designing and reviewing a product for approval by the Committee:

(A) Product design & pricing:

a. The premium rates/charges, benefit structure, terms and conditions are workable and sound, the underlying assumptions are reasonable and premium rates/charges are fair and appropriately reflect benefits and terms & conditions of the policy/rider.
b. If there is a feature such as settlement option/income option/inbuilt income option etc. where benefits are payable in instalments on death or maturity, the instalment/income period shall be reasonable.
c. The premium derivation, rating process and discount offered/loading applied shall be unambiguous and objectively defined such that similar risks shall not be discriminated in terms of premium being charged.
d. The premium rates and charges have been derived using generally accepted actuarial practices and principles.
e. The number of options/variants offered under the product shall be reasonable. All options shall be easily explainable to prospective policyholders and any overlapping benefits to be avoided.
f. **For individual unit linked insurance products (ULIPs)**, the expected unit fund value at maturity shall be at least 90% of the total premiums paid at 4% gross yield on the unit fund after allowing for all deductions under the policy, including underwriting loadings, if any.
g. The mortality rate assumptions used for mortality charge shall be consistent with that used for profit testing the product.
h. **For pure risk premium products:**

- For products with return of premiums: Surrender Value shall follow a smooth progression and shall be close to the guaranteed maturity value towards the end of the policy term.
- For limited pay/single pay products: Benefits payable on surrender of the policy shall be reasonable and fair.

For group products (other than fund-based group products):

- Where different premium rates are applicable for different mortality assumptions, the selection of a specific mortality rate for a particular group shall be in accordance with objective criteria laid down in the Board-approved underwriting policy.
- The discounts and loadings offered based on various rating factors specific to the group, such as group size, shall be based on objective criteria and shall be in accordance with the Board-approved underwriting policy.

i. For credit life products:

- The coverage term at inception shall not be more than the loan tenure.
- Sum Assured shall be consistent with the loan schedule.

j. **For non-linked riders**, if required, expenses may be loaded only on marginal basis.

k. If the product/rider has a health component, non-standardized exclusions shall be in line with medical ethics, based on medico-legal opinion obtained by the insurer in this regard.

(B) Other general conditions for a new product/modification in an existing product:

a. Compliance with the Insurance Act, 1938, all Regulations and directions of the Authority, and all other extant norms as applicable.

b. Compliance with additional guidance including any check-list issued/communicated by the Authority from time to time

c. The information submitted shall be consistent across all the filed documents.

d. The premium rates and charges have been derived using generally accepted actuarial principles. A few examples are given below:

   i. Premium rates/ charges/ benefits under life insurance products vary by age.
   ii. There is consistency between the investment return assumption and assumption for inflation of expenses while deriving premium rates.
   iii. Pricing basis is in line with the insurer's own experience, to the extent applicable.
   iv. There is consistency between the pricing assumptions and the valuation assumptions used for profit testing, to the extent applicable.
   v. The premium rates/charges are equitable between policies sold through different distribution channels.
   vi. If there is a feature such as settlement option/income option/inbuilt income option etc. where benefits are payable in instalments on death or maturity, the instalment/income period shall be reasonable.
   vii. The products/riders shall be financially viable at the portfolio level
   viii. The profit margin shall be reasonable.

e. Modification of existing on sale product shall be carried out after a reasonable time period as decided by the PMC.

(C) System readiness

a. All processes, including IT related processes are in place.
b. All processes required from the date of launch are in place and have been fully tested.
c. The implementation of processes/functionality not required immediately shall be factored into forward planning.
d. A tracking process that provides assurance on progressive implementation of the functionalities before the due date has been established.
e. Any deviation shall be reported to the PMC committee.

(D) Filing and compliance

a. Proposal form contains particulars which are in conformity with the provisions of Section 41 & 45 of the Insurance Act, 1938.
b. The premium basis shall be supported by comparison of actual experience with the assumption over a period of 3 to 5 years under that product/rider and/or that product segment/rider segment, to the extent experience is available.
c. The product/rider shall be offered in the market only as per the filed documents.
d. The Committee is aware that the Authority may initiate action, as deemed appropriate, against the signatories of the certificate, the members of the PMC, and the insurer, jointly and/or severally, under the applicable provisions of the Insurance Act, 1938 or any other applicable legal / regulatory provision.

(E) Ongoing monitoring

a. The insurer shall build up, maintain, and monitor the experience under all the distinct covers (including base and rider covers) separately.

(F) Standard Operating Procedure

a. The company should have in place a standard operating procedure, which can be amended from time to time as required, to ensure full compliance with this policy and the Circular.

6 Review of the Policy

The Policy shall be reviewed by the Committee from time to time as required but at least annually. Proposed changes, if any, shall be tabled before the Product Management Committee for review and approval for submitting the same for the Board for approval.

7 Owner of the Policy

The Policy shall be owned by the Head of Products of the Company, who will review the Policy on an annual basis or upon regulatory changes as required.

ANNEXURE 1. PRODUCTS /RIDERS TO WHICH THE POLICY WILL APPLY

The list below is as per the IRDAI circular "Cir No. IRDAI/ACTL/CIR/PRO/207/10/2022"

a. Individual non-linked pure term products
b. Individual non-linked term products with return of premium not exceeding 100% of total premium paid
c. Individual non-linked health products
d. Individual and Group unit-linked life & health insurance products
e. Group Non-linked term insurance products (including one-year renewable, single premium, regular/limited premium)
f. The following group non-linked savings insurance products:
    i. Group Non-Linked Superannuation Product
    ii. Group Non-Linked Gratuity Product
    iii. Group Non-Linked Leave Encashment Product
    iv. Group Non-Linked Post-Retirement Medical Product

g. Group Non-linked credit life insurance products
h. Group Non-linked health products
i. All riders for individual & group business, including:
    i. Term rider
    ii. Accidental Death Benefit rider
    iii. Accidental Total / Partial Permanent Disablement rider
    iv. Waiver of Premium rider
    v. Critical Illness rider
    vi. Terminal Illness rider

    (The above list of riders is not exhaustive.)
j. Combi products, where life insurer is a lead insurer and such Combi products shall comply with the extant norms.