

FILE & USE PROCEDURE FOR RIDERS

GENERAL INSTRUCTIONS TO LIFE INSURERS

CIRCULAR NO: 021/IRDA/ACTL/FUP/VER 1.0/ JULY 2007/

04/07/07

1. These instructions are for submitting the application form to riders which are to be attached to specific base/main products.
2. Life Insurers must use appropriate forms for riders. "Form IRDA-Life-Rider" shall be the application form for riders which are to be attached to a specific product (s) which could be either Linked or Non-Linked. The same form has to be used for group riders too until specified by the Authority.
3. If a life insurer wishes to offer rider(s) along with a basic life insurance product:
 - i. Insurer must furnish the information in respect of each rider separately using the Form IRDA-Life-Rider.
 - ii. If a rider which was earlier cleared, subsequently being attached to another base product,
 - a. This fact has to be reflected in the F & U Application form for the base product in items no 8.10 in respect of non-linked products and in item no 8.12 in respect of linked products (the insurer shall mention that the product will have the specified riders along with the unique identification number allotted by the Authority and the dates of clearance / modification clearance) and
 - b. item nos 12 (j) & (k) and item no 13 of Form IRDA-Life-Rider for the combined (base product plus rider) profit margin figures have to be furnished.
4. Unless the rider is cleared by the Authority, it should not be attached to any of the base products.
5. The Form IRDA- Life-Rider has to be used:-
 - i. whenever a rider is first filed with the Authority and attached to life insurer's product for the first time;
 - ii. whenever a rider is modified (already attached to a product); this form should be used for modification of the existing rider. Only the items relevant to the proposed modification has to be filled in and all the other items should reflect "NO CHANGE from the earlier filing".
 - iii. whenever a rider is further added to second or subsequent product, the relevant portions [3 (ii) (b)] of the said form has to be furnished.

6. All items in the Forms with the relevant details must be furnished.
7. Insurer should furnish together NOT piecemeal the Forms along with the necessary enclosures: (1) Specimen Policy Endorsement for the rider, (2) Specimen Sales Literature/illustrations for the rider, (3) Questionare form forming part of the main product proposal form. and the (4) Statement of Financial Projections, otherwise the application would not be considered.
8. Insurers must not alter the riders in any manner subsequent to clearance under the File & Use procedure without concurrence of the Authority. If an insurer wishes to modify an existing rider which is already in use in the market, then it is required to comply with 'File & Use' procedure afresh, depending upon the nature of modification.
9. If an insurer wishes to withdraw an existing rider in the market, it may do so. But it must inform the Authority giving reasons for withdrawal, within 7 days from the date of withdrawal.
10. If an insurer does not receive any query (either formal or informal) from the Authority within 30 days from the date of receipt of the application form at the Authority, it may attach the rider to the stated product in the market after the expiry of 30 days from the said date of receipt of the application form at the Authority. If the insurer receives any query with regard to the rider filed either formally in writing or informally from the Authority, it should not offer for sale in the market unless and untill the queries are clarified to the Authority and a specific clearance and an unique indentification number is provided by the Authority.
11. If an insurer does not launch the rider within a reasonable period from the date of clearance (say 3 months), it will be required to comply with 'File & Use' procedure afresh. Clearance will need revalidation from the said date.
12. Insurers should note that **no change in name** of rider is permitted once cleared and a unique identification number is allotted by the Authority, and the name of rider along with the unique identifcaiton number must appear in all relevant documents as given in Section A item no 3 of the file and use application.
13. The Appointed Actuary must initial on all the pages of the Application Form and the enclosures thereto.
14. The insurer shall furnsih the premium rates and a facility of a premium calculator in their web-site.
15. The insurer shall also furnish the name of the software used in the matter of designing and filing the products/riders (for instance the software can be AXIS, PROPHET). If the insurer



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DEVELOPMENT AUTHORITY**

is using his own software, this should be informed to IRDA. This is for the information of the Authority only.

16. This circular comes into effect from today onwards (i.e. 04/07/07). Regarding the riders which are offered by companies as of today, there is no need to file their features in the new format with the Authority. However, if any modification is proposed, then the new format must be used. Those riders filed with the Authority for which approval is in the process, they need not file the features in the new format.

(R.Kannan)
Member (Actuary)

Form IRDA–Life-Rider

Notes: (1) Please read the instructions carefully before the form is filled in.

(2) Sections A, C & E are compulsory for all filings.

(3) Sections B & D are required only at the first filing of the rider and subsequently for modifications of sections B & D.

File and Use Application for Rider.

Section A:

1. Name of Life Insurer: *[give the name of Insurer alongwith Registration No.alloted by IRDA]*

2. Name of Appointed Actuary: *[Give the name of Appointed Actuary certifying this rider. Please note that his appointment should be in force as on the date of this application.]*

3. Brand Name of rider (market name): *[Give the name of the rider which will be printed in Sales Literature and known in the market. This name should not be changed afterwards. This name shall appear in all returns etc. which would be submitted to IRDA.]*

4. Date of introduction /modification / withdrawal of the rider (proposed in case of new riders; actual date in case of existing rider): *[In case of new riders being launched for the first time in the market, give the date (however the date cannot be within 30 days from date of this application) from which Insurer wants to market. In case of existing riders, the actual date from which rider was launched in the market, and also the proposed date from which modifications would apply . In case the Insurer wishes to withdraw the existing rider from the market, the date of withdrawal along with reasons for such withdrawal must be furnished under this item. In such withdrawal cases, the first 4 items, and item 19 only need to be filled in]*

5. Rider details:

5.1 (i) Is the Rider filed for the first time? Yes /No

If yes, furnish the name of the Product (s) to which it is to be attached?*[give the names & unique identification number of the main/base products (which are already cleared or for which the application is pending for clearance. If the application for such product is pending for clearance, please indicate specifically):*

S.No	Name of the product	UIN	Date of clearance

5.1 (ii) If no, give the following details:-

(a) Date of first filing of the rider:

(b) Name & unique identification number of the Product(s) to which the rider was attached/removed from the date of clearance in the table below:

Table: I Furnish the information in respect of products to which this rider is attached in tabular form:-

S No	Date of filing of the rider as an attachment to the main product	Name & unique identification number of the Product to which the rider is attached	Date on which the rider attachment is removed from the product, if any. Date of intimation to the Authority also to be furnished	Date of clearance of the attachment of the rider to the product

5.2 Whether the rider features/assumptions have been modified from the date of clearance? Yes/No

(i) If Yes, Please give the information of all the modifications carried out till date in tabular form:-

Table II History of modifications carried out till date:

S No	Date of modification	Features/Assumptions as on date of clearance of the rider i.e. before the proposed modification	Features/Assumptions modified from the first/subsequent filing i.e. after the clearance of the modification	Date of clearance of the modification from the Authority and the unique identification number allotted

5.2 (ii) If No, (i.e. if the rider or any of the rider features/ assumptions/documents etc have not undergone any change since inception):

Table-III Please give the proposed changes in tabular form (where the modification proposed is for the first time):-

S No	Features/Assumptions as on date of clearance of the rider	Features/Assumptions proposed to be modified from the first filing

5.3 If the existing rider features/assumptions/documents etc have modified for at least once from the date of clearance of the rider:

Table-IV Please furnish the proposed changes along with the other details in the table

furnished below (where the modification of the rider was cleared at least once):-

<i>S No</i>	<i>Date of modification of the existing rider</i>	<i>Features/Assumptions as on date of clearance of the modification of the rider</i>	<i>Proposed Features /Assumptions to be modified</i>

Section B:

6. Terms and Conditions

[All the items should be filled in properly and carefully. No item must be left blank.]

6.1 Whether the rider is offered to: *[Tick the appropriate boxes]*

a) *[Males] / [Females] / [Both]*

b) *[Smokers]/ [Non Smokers]/ [All]*

c) *[Individuals] / [Groups] [All]*

d) *[Standard Lives]/ [All types of Lives – including impaired lives]*

e) *[Specific geographic locations in India]/ [All geographic locations in India]
[if specific geographic locations, specify the locations.]*

f) *[Urban population]/ [Rural population]/ [All]*

g) *[Targeted Section]/[Socially weaker sections] / [Any other] / [All]*

h) market for:

limited period: [if so give here the number of months/years]: /unlimited period.

6.2. State:*[All the items to be filled in without omitting any one.]*

a) *Minimum rider Sum Assured/Benefit Amount. : Rs. [] in 000's*

b) *Maximum rider Sum Assured/ Benefit Amount p.a.: Rs. [] in 000's*

c) *Minimum / Maximum Premium : Rs. [] / []*

[State the premium charged indicating the mode of payment of premium as well as the coverage amount]

- d) *Minimum Entry Age:* [] *last /nearest / next birthday*
- e) *Maximum Entry Age:* [] *last /nearest / next birthday*
- f) *Maximum Maturity Age:* [] *last /nearest / next birthday*
- g) *Terms allowed:* [] *years*
- h) *Premium paying terms allowed* [] *years*
- i) *Any other parameter specific to the rider (like waiting period, survival period, group sizes etc):*

6.3 Specify whether terms and conditions include: *[If there is restriction, the same should be furnished.]*

- a) *[restriction on travel outside India] / [No restrictions on travel]*
- b) *[restriction on future occupation] / [No restrictions on future occupation]*

7. General Description of the Rider. *[This section should describe the various contingencies under which the benefits would be payable and how these would be determined. It should be made clear that rider benefit is available only when the base/main product is in force for the full/contracted sum assured]*

[Model table]

<i>Events</i>	<i>How and when Benefits are payable</i>	<i>Size of such benefits/policy monies</i>
<i>Accidental Death</i>	<i>Payable on death due to accident on or before the end of the policy term</i>	<i>Sum Assured</i>
<i>Disability due to accident</i>	<i>Payable on disability due to accident before the end of the policy term</i>	<i>10% of Sum Assured</i>
<i>Critical illness</i>	<i>Payable on affliction with CI on or before the end of the policy term</i>	<i>Sum Assured</i>

8. Features.

8.1 Category of Rider: *Category of rider such as par/non-par, linked/non-linked, health/non-health etc-This is the same as that of the main product to which the rider is attached. (Insurer to note this.)*

8.2 Non-forfeiture benefits (cash surrender value, paid-up value, automatic premium loans, etc.) *(Please see section 113 of the Insurance Act,1938):*

8.3 Options available under the rider. (e.g. to increase or decrease benefits) *[This section*

should specify the various options available under the product. The charges, if any, towards the cost of the option should be specified.]

8.4 Modes of premiums permitted and the charges applied for different modes of payment premiums and quantum of sum assured, if any. [Specify here modes allowed, such as SP, AP, HP, QP, MP, FP; charges applied for the selection of each mode, which might or might not depend upon the size of the policy : FP=fortnightly premium]

8.5 Scales of commissions/remuneration payable to the agents/insurance intermediaries. [This section should specify the scales of commissions /remuneration payable to all the distribution channels explicitly like for agent, brokers etc. The Section –40(B) of the insurance Act, 1938 and the IRDA regulations should be referred to for ascertaining the various limits on commissions/remunerations payable to different distribution channels]

8.6 Any other features that may be relevant for the rider.

9. Treatment of Different Classes for the purpose of underwriting. [This section should discuss how the different segments of the population will be dealt with for the purpose of underwriting (to the extent they are relevant and a brief detail of procedure adopted for assessment of various risk classes may be given.)] e.g.

- a) **Males and females.**
- b) **Smokers / non-smokers**
- c) **Limitations on entry ages**
- d) **Sub-standard lives.**
- e) **Non-medical limits for individuals/Free cover limits for groups:**
- f) **Any other classifications that may be relevant to the rider (such as group of lives)**

10. General Policy Provisions.

a) **Suicide Claim provisions.** [The amount of claim payment, if any, to be made on suicide should be specified here. The suicide exclusion provision should be clearly spelt out here.]

b) **Exclusions, if any (e.g. occupational hazard, travel)**

c) **General approach to be used for revivals or reinstatements..**

11. Reinsurance. [This section should describe the reinsurance arrangements. The retention

limit should be indicated. The name of the reinsurer and the terms of reinsurance (reinsurance premium rates, commissions, type of reinsurance etc.). Any recapture provisions should be described. Please enclose a copy of the reinsurance program and a copy of the Treaty, if not filed with the Authority.]

FINANCIAL PROJECTIONS

12. Pricing Assumptions. *The pricing assumptions will depend on the nature of rider. Give details of the following (Also, give the actuarial formulae, if any, used; if not, state how premiums are arrived at, separately):*

- a) **Rate of mortality** [The tables used must be prescribed one. Please get in touch with Actuarial Society of India .]
- b) **Rates of morbidity** [The tables used must be prescribed one, if any. Please get in touch with Actuarial Society of India .]
- c) **Rates of terminations.** [The rates used must be in accordance with insurer's experience, if such experience is not available, this can be from the industry/reinsurer's experience .]
- d) **Rate of interest.** [The rate or rates must be consistent with the investment policy of the insurer.]
- e) **Commission scales (split according to distribution channels).** [Give rates of commission. These are explicit items.]
- f) **Expenses: Split into:-** [Expense assumptions must be company specific. If such experience is not available, the Appointed Actuary might consider industry experience or make reasonable assumptions.]
 - I) **First year expenses by : sum assured related, premium related, per policy related**
 - II) **Renewal expenses (including overhead expenses) by : sum assured related, premium related, per policy related**
 - III) **Claim expenses**
(The expenses should include a provision for future inflationary increases)
- g) **Average sum assured, if any, assumed for pricing:**
- h) **Allowance for transfers to shareholder, if any:** [Please see section 49 of the Insurance Act, 1938]

i) Taxation. [Please see the relevant sections of the Income Tax Act, 1961]

Section C:

j) Profit margins. [The profit margins should be shown for various model points for base, optimistic and pessimistic scenarios in a tabular format, as in item 13 below. The definition of profit margin should also be given, i.e. the present value of net profits to the present value of premiums. Profit margin has to be furnished for (a) main product (as mentioned in the filing for the main product); (b) for rider; and (c) for main product and rider combined. The assumption with regard to the proportion of riders attached to the new business volumes expected for base product should also be given. For e.g. in base scenario, the proportion of rider contracts assumed to be attached to the new business volumes of the base product may be for e.g. about 60-70%, and in case of optimistic: 70-90%; and in case of pessimistic: 30-50%]

k) Volume of new business (By distribution channels, give expected premium income for the next 5 years for the base product and base product along with the rider as well as rider separately, and give the proportion of rider premium income as per cent of main product premium income.)

l) Any other parameter assumed relevant for the rider.

m) Assumptions made for calculating the reserve:

13. Results of Financial Projections. *[The financial projections should show the following, for each model point (age, sum assured and term combination). The insurer should indicate the model points such as entry ages 20, 30, 40, 50, 60; sum assured minimum sum assured, average sum assured and the maximum sum assured (a higher sum assured where no maximum sum assured is desired) and terms, say 10, 20, 30, depending upon the product]*

a) New business strain in each of the projection years for the next 5 years (for the rider alone and the base product along with the rider).

b) ROI on the product (ROI :Return on Investment) (or profit margin, giving basis) [The definition of the return of investment and how it has been calculated should be furnished.]

c) Profit test conducted/ Sensitivity Analysis, if any : [The assumptions and results of such an analysis should be furnished in a tabular format for each scenario with the basis for calculations clearly spelt out, like risk discount rate etc.]

Section D:

14. Proposal Form and Sales Literature:

14.1 Proposal form: [only the relevant provision/questions for the rider made in the proposal form to be highlighted and furnished]

14.2 Sales Literature: This is the literature which is to be used by the various distribution channels for selling the product in the market. This should enumerate all the salient features of the product along with the exclusions applicable for the basic benefits. Sales literature along with a sample benefit illustration should be furnished.]

15. Policy Endorsement for the rider [insurance contract].: [Enclose a specimen copy of the policy endorsement of the rider to be attached to the base product.]

16. Rider Premium Tables: [Enclose a copy of the premium table to be used by the distribution channels. Please write the name of the website (of the insurer) on which the premium rates along with the premium calculator would be made available. See the General Instructions.]

Section E:

17. Certification. The Insurer shall enclose a certificate from the Appointed Actuary, countersigned by the principal officer of the insurer, as per specimen given below:

(The language of this should not be altered at all)

" I, (**name of the appointed actuary**), the appointed actuary of the life insurer: (**name**), hereby solemnly declare that the information furnished above is true and certify that, in my opinion, the premium rates, advantages, terms and conditions of the rider (**market name of the rider**) *being attached/ *already attach to the product: (market name of the base product), *which is a new insurance rider to be launched in the market/*which is an existing rider but being *modified/*withdrawn now, * are workable and sound, the assumptions are reasonable and premium rates are fair."

*=strike off whichever is not applicable

Name and Signature of the Appointed Actuary.

Place

Date:

Counter Signature of the principal officer along with name, and Company's seal.