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Life Insurance sales pitch gets 'purer

Don't be surprised if your life insurance agent pitches a pure term plan and the not the usual en-dowment, unit linked and index linked insurance products. The Insurance Regula-tory and Development Au-thority IRDA has changed the agent commission structure in such a way that sales of pure insur-ance oriented plans with higher death benefit would get maximum commission and not the investment lined short term plans.

Direction of the move is very important and we need to appreciate that the guidelines are structured in such a way that there would not be any product arbitrage. With the new structure, distribution channels may find pure, insurance products lucra-tive, said P Nandagopal, MD and CEO India First Insurance Company.

As per the final IRDA regulations, agent of single premium non pen-sion products will receive remuneration of upto 2 per cent of the premium paid. For policies having a premium payment term up to 5 years they will get commission upto 15 per cent in the first year while ten year term policies will fetch thirty remuneration and 12 year term policies 35%.

For the second and third year, agents will get 7.5% commission, and if the policy is still in force in the subsequent years five percent. For all single premium pension products, the commission would be two of the premium paid while regulator pension prod-ucts will fetch 7.5%.

The regulator has framed the entire format on the basis of tenure of the policies. Under the new regime, traditional life products will include participating, non-participating non linked and non-participating linked plans and variable insurance products.

According to the indus-try experts, distributor fo-cus will be mostly on longer tenure products where they would get up to 40% commission and may also push participat-ing products more. Under participating plans, the bonus is linked to the performance of the fund and is not declared or guaranteed before, whereas in non-participating policies the benefits are declared upfront.

In VIPs, too, the benefits are declared upfront-though they are linked to an index, as per the regulation.
As VIPs will be treated at par with liked products; those products will follow the same commission package for ULPs.
Under linked products,: agents are entitled to com-mission of upto only ten; per cent. The charge structure and discontinu-ance norms of VIPs will be in line with ULPs.
Lower commission structure of non par products will it insurers sales,; said a senior industry officials.
Insures are not excited about floating VIP plans; because of the higher! Charges and lower com-: mission structure.
Sanjay Tiwari, VP Strategy and products' HDFC Life said, insurers are skeptical about floating such products be-i cause of the product structure.