

Irda Proposes Changes to Policy Revival Norms; Hikes Surrender Benefits

Our Bureau

Mumbai: Insurance buyers are set to get substantial benefits, with the regulator proposing significant changes to revival of policies and enhancing guaranteed benefits while surrendering the cover ahead of maturity.

The regulator Irda has proposed to enhance the revival period to five years from the current two years and introduced guaranteed surrender value after two years from three years earlier.

Irda has sought comments from all stakeholders on the norms. It has proposed a minimum death benefit of seven times for regular premium products and 1.25 times for single premium products for all ages. Earlier, benefits varied between 5 and 10 times, depending on the age of the policyholder.

The regulator has proposed non-linked policies to acquire guaranteed surrender value after two years, with revival period extended to five years from the current two years in respect of non-linked products. "Around 10% of our lapsed policies get revived every year and that number should go up with the period being extended to five years from two years earlier," said Sanjeev Pujari, president of Actuarial & Risk Management, SBI Life Insurance.

Bringing pension products on a

par with NPS schemes, the regulator has introduced the option for commutation up to 60% and facility for partial withdrawal for linked pension products. It has opened annuity products to all insurance companies. Earlier, policyholders had to buy annuity from the pension product provider only.

"The changes introduced are in favour of policyholders," said R M Vishakha, CEO, IndiaFirst Life Insurance. "Customers can reinstate the policy within five years and will have the freedom to opt for an annuity provider after the accumulation phase."

The regulator has proposed to allow switches during the settlement period to help customers of unit linked policies manage their funds better in a volatile market.

Insurers will be allowed to design individual term, group term and credit and micro insurance products that offer a range of policy terms.

It has introduced provisions for governing group products that are modified to allow a wider range of products based on customer demand. Also, the category of linked variable insurance products is removed, and provisions relating to non-linked variable insurance products have been simplified.

Irda had formed a working group to review product regulations on the proposed changes in the norms.