Annexure A

PRODUCT MANAGEMENT & PRICING POLICY

Owner: CEO & Managing Director
Effective date: on or after 15th July 2022
Version: 1.0

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Product Management & Pricing Policy (PMPP)

1. Background

Currently, all life insurance products and riders require prior approval of the IRDAI (Authority) before launch. However, certain specified modifications were allowed to be carried out through Use & File process as per circular ref. IRDAI/ACT/CIR/MISC/124/07/2019 dated 26.07.2019.

In order to facilitate the life insurance industry to respond faster to the emerging market needs, in terms of designing and pricing of insurance products and to promote ease of doing business, it is decided by the Authority to expand the scope of Use & File procedure for life insurance products.

2. Purpose and scope

2.1 Introduction

This document (the 'policy') sets out the minimum requirements for carrying out the Use & File procedure for filing/modifying the new/existing products as per the IRDAI circular no "IRDAI/ACTL/CIR/MISC/115/06/2022 dated 10.6.2022 and any subsequent Regulations/Guidelines /Circulars issued by the Authority (IRDAI) from time to time.

Circular no. IRDAI/ACT/CIR/MISC/124/07/2019 dated 26.07.2019, regarding Use & File procedure for certain modifications under existing products and riders offered by life insurers is repealed.

This policy is to be approved by the Board of Directors, and will be reviewed from time to time in case there is change in the instructions issued by the Authority or change in the Pricing policy of the Company.

Once this Policy is approved by the Board; it will be called Board Approved Product Management & Pricing Policy (BAPMPP).

2.2 Product Management Committee (PMC)- Constitution

A committee comprising of the Appointed Actuary, Chief Risk and Compliance Officer, Chief Marketing Officer, Chief Distribution Officer, Chief Operations and Customer Services Officer, Chief Finance Officer, Head Legal, Head Information & Technology is being formed and approved by Board in order to approve, launch, monitor and review the products modified via Use & File procedure. This committee shall be called 'Product Management Committee'. The insurer may include other members of its senior management in the PMC as members or as invitees.

The quorum for the Product Management Committee shall be 3 members in addition to Appointed Actuary.

2.3 PMC-Scope

Basis Cir. No. IRDAI/ACTL/CIR/PRO/81/3/2023 issued on the 31st of March 2023

1. IRDAI/ACTL/CIR/PRO/207/10/2022 dated 4th October 2022
2. IRDAI/HLT/REG/CIR/108/06/2022 dated 1 st June 2022
3. IRDAI/NL/GDL/F&U/030/02/2016 dated 18th February 2016
4. IRDAI/NL/CIR/MISC/107/6/2022 dated 1st June,2022
5. IRDAI/NL/CIR/PRO/146/07/2022 dated 14th July 2022
6. IRDAI/NL/CIR/MISC/212/10/2022 dated 13th October 2022

The provisions of the above referred circulars shall remain valid except to the extent specified under Cir. No. IRDAI/ACTL/CIR/PRO/81/3/2023 issued on the 31st of March 2023

1. The documents that are required to be submitted under the above mentioned U&F circulars shall hereafter be submitted to the Product Management Committee (PMC), instead of being filed with IRDAI. The PMC shall be responsible for the final approval of the products.
2. The PMC shall be responsible to ensure that the entire set of documents required under U&F Procedure is complete, correct, digitally signed and are in compliance with the extant applicable legal and regulatory framework, and maintained by the PMC.
3. IRDAI may call for documents in respect of a few products identified on monthly basis from amongst all the life insurers, general insurers and health insurers for examination as per the following procedure:
   i. The identification could depend on various factors like number of products launched during the previous financial year, complaints received on the products launched/mis-selling/distribution channel, news articles of aggressive selling of specific products, sales volumes of the products launched, rampant policy cancellations or free look cancellations, or any other matter concerning products/solicitation.
   ii. Insurer shall submit the entire set of documents to IRDAI, whenever called for, within a period of two days.
4. IRDAI may conduct onsite examination of U&F documents.
5. Insurer shall submit the certificate signed by the CEO in the standard format as specified in Annexure-A.
6. The insurer shall submit quarterly report as per Annexure-B, with respect to the products launched for the first four quarters from the date of launch of the product.
7. Insurers shall upload the policy wordings/documents, sales literature, premium calculator, in their website in the chronological order of UINs, before the product is launched or within seven days of allotment of UIN, whichever is earlier.

8. Insurers shall ensure that the systems, procedures, manuals and all essential infrastructure required for launching the product and maintenance of insurance policies are put in place.
9. The products referred to in this circular mean base products as well as riders/add-ons attached to the base product.
10. The provisions of the above referred circulars shall remain valid except to the extent specified under this circular.
11. The circular comes into force with effect from 1st April 2023.

2.3.1 The PMC shall review and approve the products/riders in line with BAPMPP before filing with the Authority under Use & File procedure for New as well as Existing Products/Riders

2.3.2 The PMC shall ensure that products/riders which are allowed under the captioned IRDAI circular are only filed/launched as per U&F procedure

2.3.3 The PMC shall ensure that the Benefits reflecting in sales literature, Terms and Conditions reflecting in Policy document shall be consistent with the design approved.

2.3.4 The PMC shall 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 the Authority with complete compliance of regulatory requirements.

2.3.5 The PMC shall issue the System Readiness Certificate as the delegated risk committee for products / riders issued under the above IRDAI Circular IRDAI/ACTL/CIR/MISC/115/06/2022 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.

2.3.6 The CEO of the insurer shall have an overall responsibility for ensuring that a robust due diligence process is in place to mitigate risks arising from the products.

2.3.7 Chairperson of PMC if different from the MD CEO, AA and CEO need to provide certification at the time of filing.

2.3.8 If any violation of extant norms (including the provisions of this circular) is noted, 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

2.3.9 Procedure for filing a new product or rider under U&F procedure: With the approval of the PMC, the insurer shall file the documents with the Authority through an online platform (currently BAP), to generate the UIN. The insurer shall launch the product within 15 days from the date of generation of UIN with an intimation to the Authority.

2.3.10 Where product modification is to be carried out with or without UIN change, the version shall be launched only with the approval of the PMC. The documents shall be filed with the Authority through an online platform (currently BAP) within seven days from the date of launch of modified version of the product/rider. Where the modification requires UIN change, the Insurer shall allot the next higher version of UIN as per the current procedure as: If UIN of the existing product is 123N111V01, the UIN of the modified product will be 123N111V02. It is to be noted that the last three characters of UIN stand for the "version" of the product. This process shall be followed every time a product is modified.

2.4 Compliance

The modification in existing products/riders and/or filing of new products/riders should be in line with the captioned IRDAI circular as amended from time to time.

There are few general aspects which are to be fulfilled by the PMC while approving the products/riders under Use & File (U&F) procedure. These are:

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

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

2.4.3 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 product.

2.4.4 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.

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

2.4.5.1 Premium rates/ charges/ benefits under life insurance products vary by age.

2.4.5.2 There is consistency between the investment return assumption and assumption for inflation of expenses while deriving premium rates.

2.4.6 The above list of generally accepted actuarial principles is only indicative and not exhaustive.

2.4.7 Pricing basis is in line with the insurer's own experience, to the extent applicable.

2.4.8 There is consistency between the pricing assumptions and the valuation assumptions used for profit testing, to the extent applicable.

2.4.9 The premium rates/charges are equitable between policies sold through different distribution channels.

2.4.10 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.

2.4.11 The products/riders shall be financially viable at the portfolio level

2.4.12 The profit margin shall be reasonable considering all the risks associated with the product

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

2.4.14 Proposal form contains particulars which are in conformity with the provisions of Section 41 & 45 of the Insurance Act, 1938.

2.4.15 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.

2.4.16 The product/rider shall be offered in the market only as per the filed documents.

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

2.4.18 'Modifications of existing on sale product shall be carried out after a reasonable time from the date of launch of existing version and any such modification shall be based on credible experience or market indicators justifying the same to the satisfaction of the PMC for approval of such product.'

3. Product Management Committee- Roles and Functions BAPMPP

The role of the following designates are only indicative in nature and are not limited to as specified.

Appointed Actuary

(a) To ensure that due diligence has been carried out on the product development process and pricing in accordance with regulatory stipulations in force
(b) To document all the assumptions used in product pricing and the rationale of those assumptions
(c) To analyse the financial implications of risks covered in the product and build these into the pricing/profit/sensitivity testing/reserving as applicable
(d) To confirm that the pricing/profit testing/valuation bases are consistent with the past, current experience and set in line with any emerging trend in the future
(e) Analyze the impact of product on the capital and solvency margin and inform the management and board of additional capital requirement, if any, to maintain solvency margin
(f) To present product performance report to PMC along with recommendations at least on annual basis
(g) To ensure the availability of sufficient Actuarial resources in respect of products filing with the Authority
(h) The Appointed Actuary shall submit the summary of products launched/modified during the year under U&F procedure including experience under such products along with Appointed Actuary's Annual Report (AAAR) as an annexure

Chief Operations and Customer Services Officer

(a) To check and confirm that the product is in conformity to the board approved Underwriting policy of the company and that the Underwriting policy is relevant in the context of evolving regulatory regime and market complexities
(b) Determine and inform the PMC about the data and system requirements, both at the time of underwriting and claims and during the tenure of the policy, to enable the Company analyze the emerging experience of the product on a regular basis

Head-Products
(a) To check and confirm that the product and its features satisfy all the Basic principles of insurance
(b) To check and confirm that the product is customer need based, the contingencies covered are clear and provide transparent cover which is of value to policyholder.
(c) To check and confirm that all the literature relating to the product is in simple language and easily understandable to the public at large
(d) To coordinate/involve the Company`s external/internal Legal expert/Head for the purpose of Policy wordings
(e) To ensure that only approved customer facing documents/literature are published on Company's website
(f) To take a sign off from Underwriting Head regarding the conformity of the product to the board approved Underwriting policy of the company

Chief Financial Officer

(a) To sign-off on the Acquisition Cost incurring in first policy year as assumed in actuarial assumption

(b) To confirm that the accounting for the product premium and claims shall be done in accordance with Indian GAAP/regulatory stipulations

(c) To apprise the PMC about the tax implications of the product, if any

(d) To coordinate with AA in identifying the additional capital requirements that the product may pose.

(e) To ensure compliance to Expense of Management Expenses at per extant Regulations for the products in questions

Chief Distribution Officer /Chief Marketing Officer

(a) To identify the target segments to which the product would be offered

(b) To indicate the volume of business that the company plans to achieve over future three years after the product approval

(c) To confirm that the product would be offered only through authorized modes of distribution

(d) To confirm that all the external distributors and company direct sales staff would be appropriately trained in the product and sales process

Chief Risk and Compliance Officer

(a) Integrate the risks arising out of the proposed product into the company's risk management framework

(b) to identify and assess insurance and residual risks

(c) to quantify these risks and recommend an effective mechanism to minimize these risks to the PMC

(d) To ensure that the product development process, including reporting requirements to Authority are followed by the company in letter and spirit

(e) To ensure that the product does not breach any of the applicable laws, regulations and extant guidelines, circulars and directions

(f) To monitor the business activities of the insurer and ensure that all products being offered by the insurer are in compliance with extant regulations, circulars, guidelines and applicable Acts

Chief Finance Officer

a. To check that the commission structure is decided basis the Board Approved Commission Policy.
b. To ensure commission structure does not impact the customer benefits and is not detrimental to the policyholder's interests.
c. To monitor the commission structure is reasonable and not result in excessive compensation for intermediaries at the expense of customers or the insurer.
d. To monitor that the Intermediaries are compensated fairly for their work, regardless of their size or bargaining power.
e. To assess whether the commission structure encourages good distribution practices of intermediaries.

Head Legal

a. To review and sign off the product Terms and Conditions
b. To ensure all the benefits, definitions are commensurate with the product structure as per the FnU

Chief Executive Officer (CEO)

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. Pricing Policy

Following should be ensured while Pricing/profit testing any product design:

1. Benefits should contain Life insurance or any other insurance events as permitted by the Regulatory provisions
2. Major death/survival/surrender/paid-up benefits should be priced/profit tested using generally acceptable actuarial principles
3. Actuarial Assumptions should be based on the past, current and future trend considering the nature and term of the product
4. Pricing/Profit testing can be done using whatever approach/methodology acceptable under actuarial profession e.g. Traditional Embedded Value, Market Consistent Approach, Risk Based Capital etc.
5. However, for IRDAI purpose the past practice should be followed until the same is changed by the Authority
6. Sensitivities of the main actuarial assumptions should be shown in the pricing report, if any, or otherwise

7. Pricing/profit testing models of all such products modified via U&F route after the implementation of the BAPMPP should be maintained in record for audit purpose
8. Pricing of any complex benefit structure should be peer reviewed within the actuarial team
9. If the product needs reinsurance intervention, the same should be obtained before launch of the product via email and then on formal treaty basis.
10. Pure Risk Products where reinsurance is of significance should be negotiated with at least 2 reinsurers for terms and condition. However, the final decision in this matter will be of the Appointed Actuary
11. Long term (>= 5 years) products should be modelled in parallel on any prevalent Actuarial Software which shall be used for Reserving and Reporting purpose once the product is launched. The outcome of the pricing/profit testing model (before launch if different) should be consistent with the outputs of the Actuarial model (after launch if different)
12. Key Performance Indicators e.g. VNB- Pre/Post Solvency, Payback Period, NB Strain, Sol-II etc should be specified for all long term (>= 5 years) products. However, for short term products, the decision to show any KPIs is based on Appointed Actuary decision
13. CIO to provide rationale and sign-off the likely economic scenario around interest rate for longer term products.

5. BAPMPP- Monitoring Mechanism

The adherence and implementation of the Product Management & Pricing Policy shall be the joint responsibility of the members of the Product Management Committee

6. Exclusion

Products that are to be filed under File & Use procedure or any other product category which does not fall under the purview of the captioned IRDAI circular as amended from time to time

7. Annexure

Use & file (U&F) procedure for life insurance products & riders Cir No. IRDAI/ACTL/CIR/MISC/115/06/2022 dated 10.6.2022

8. Amendments to Annexure

The policy has to be read in conjunction with the annexure which will be modified from time to time as per regulatory updates.

9. Review

The policy shall be reviewed annually.