Product Management & Pricing Policy

1. BACKGROUND

On 31st March 2024, IRDAI issued the IRDAI (Insurance Product) Regulations, 2024 (hereafter referred to as Product Regulations) which shall be the base Regulation for framing this Board Approved Product Management & Pricing Policy (hereafter referred to as "Policy"). On 12th June 2024, IRDAI introduced Master Circular on Life Insurance Products (Ref: IRDAI/ACTL/MSTCIR/MISC/89/6/2024 and hereafter referred to as Master Circular) to provide necessary guidance on aspects pertaining to various provisions of Product Regulations.

With introduction of above-mentioned Master Circular, previous circulars introduced in this regard by IRDAI, viz. circular (Cir. No. IRDAI/ACTL/CIR/PRO/207/10/2022 with subject: Circular on filing of Products/Riders for Life Insurance Business) and circular (Cir. No. IRDAI/ACTL/CIR/PRO/81/3/2023 with subject: "Use and File" Procedure for Products) stand repealed. Accordingly, this Policy is being amended to align with Master Circular.

Regulation 6 (i) (a) of Product Regulations requires the life insurers to formulate a separate Policy (Board Approved Product Management & Pricing Policy) and Regulation 6 (i) (b) requires the life insurers to constitute a Board constituted Committee, which is Product Management Committee (hereafter referred to as PMC) within the insurer with the responsibilities outlined in this Policy.

2. OBJECTIVES AND SCOPE OF THE POLICY

a. The Policy shall cover, amongst other things, internal governance framework aimed at meeting the principles on product design, pricing and management of insurance products in adherence to Product Regulations, the Master Circular and in line with Company's internal policies and planned objectives.

b. To provide guidance to the PMC for the implementation of this Policy and adherence to the principles of design and pricing of products as drawn below:

- appropriateness of the product design for target segment/(s)
- regulatory compliance and recommending products for filing under File and use procedure, as applicable
- approval of the products falling under Use and file category
- periodical review of product performance, market conduct issues including grievances and taking up corrective actions, as may be necessary;
- modification or withdrawal of the product, if required;
- overall management of the insurance products;
- maintenance of documentation of the decisions taken for each product for inspections of the Competent Authority.

a. To provide guidance to the PMC to ensure all the relevant processes and suitable infrastructure and system requirements for the product / rider to be launched are established (as stated in section 5 of this Policy).

3. CONSTITUTION OF THE PMC

3.1. As per the requirement under Chapter 2/ Section II/ Provision 5 of the Master Circular, the PMC shall comprise

S.No.	Designation	Acting as
1.	Chief Business Officer- Corporate Solutioning Group	Chairman of the PMC
2.	Chief Business Officer-Retail	Member
3.	Appointed Actuary	Mandatory member of the PMC as per the Master Circular
3.	Chief Technology Officer / Head IT/ Head Business Process	Mandatory member of the PMC as per the Master Circular
5.	Chief Investment Officer	Mandatory member of the PMC as per the Master Circular
6.	Chief Compliance Officer	Mandatory member of the PMC as per the Master Circular
7.	Chief Risk Officer	Member
8..	VP – Product Management	Member

3.2. The quorum for the PMC shall be 3 members in addition to the Appointed Actuary.

3.3. As per the Master Circular, it is acknowledged that CEO shall have an overall responsibility for ensuring that a robust due diligence process is in place to mitigate risks arising from the products and will counter sign the relevant Certificates.

3.4. In addition to the above, the PMC may include other members of Company's senior management in the PMC as members or as invitees. In case of any change in designation or resignation of any member or invitee, the person handling the stated portfolio / position shall be considered to be the member or invitee.

3.5. PMC can be convened as physical / virtual meeting or through a circular resolution post review of all documents.

4. PMC CHARTER

The PMC shall review and approve all new products/riders & minor modifications and withdrawal of products within the ambit of Master Circular by discharging the following duties:

a. compliance with circulars, guidance, if any, issued / communicated by the Competent Authority;
b. Review and approve all the product/riders submitted to the PMC under Use and File procedure in line with Policy.
c. Ensure that entire set of documents listed under "Section V/Part-C: Document management for File & Use and Use & File procedure" of Master Circular is complete, correct, digitally signed and are in compliance with the extant applicable legal and regulatory framework, and maintained by the PMC. PMC shall ensure that entire set of documents for the products filed under Use and Procedure are submitted to IRDAI, whenever called for, within a period of two days.

d. Ensure approval of market conduct related documents for products filed under File and Use procedure as specified under para 75.2 of Master Circular by ensuring compliance with all applicable extant norms and also consistency with the F&U application approved by the Competent Authority
e. Ensure that the benefits reflecting in sales literature and the terms and conditions reflecting in policy document are consistent with the approved design.
f. maintenance of all relevant records for each product;
g. fairness and reasonableness of surrender values

h. Carry out a due diligence process and record its concurrence / sign off on various product related risks (such as risk related to capital requirements, profitability, underwriting, reinsurance etc.) and recommendation /approval of the product, as applicable.
i. Ensure Minutes of the PMC meeting / PMC Circular Resolution approving the product/rider to be recorded and circulated to all PMC members and shall make part of filing documents. Minutes of all the PMC meetings / PMC Circular Resolutions should be recorded and circulated to all PMC members.
j. PMC shall recommend the launch of product only after adherence to Regulation 6 (2) (a) of Product Regulations and as further detailed out in Section 5.4 of this Policy. .
k. Ensure once the product/rider is approved by PMC, it is launched in line with extant applicable regulatory framework.
l. Ensure the modified product / rider is launched with its approval, after withdrawing existing version from the market for new business.
m. Ensure review of products based on various factors like 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.

5. PRINCIPLES AND GUIDANCE FOR PRODUCT APPROVAL

The following principles and guidance will apply when reviewing a product approval by the PMC.

5.1. Product Design

a. Proposed product shall be able to address the needs of the target customer segment/(s).

b. 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.

b. 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.

c. The premium rates and charges have been derived using generally accepted actuarial principles.

d. 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.

e. The number of options / variants offered under the product shall be reasonable. All options / variants shall be easily explainable to prospective policyholders.

f. If the product has a health component, exclusions, if any, shall be in line with medical ethics, based on medico-legal opinion obtained by Go Digit Life in this regard.

5.2 Pricing Assumptions

a. Pricing basis are in line with the Company's own experience to the extent possible, or on basis of views of industry experts, reinsurers and published reports considering the level of risks involved in the product and the available risk mitigation tools.

b. There is consistency between the pricing assumptions and the reserving assumptions used for profit testing under the product, to the extent applicable.

c. Wherever relevant experience is available, the premium bases should 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.
d. While setting pricing assumption for expenses, insurer shall comply with the limits prescribed by the Insurance Regulatory and Development Authority of India (Expenses of Management, including Commission, of Insurers) Regulations, 2024
e. For limited pay/single pay pure risk products: Non-forfeiture benefit shall be reasonable and fair
f. In case of the group product:
  - the premiums quoted to various groups are in line with the premiums filed under the extant filing procedure.
  - 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:
    - not be at the discretion of the insurer.
    - be based on objective criteria as set out in the product filing documents as per the applicable product filing procedure as per Section V of Master Circular.
    - The discounts and loadings, if any, shall be applied on the premium applicable for the selected mortality as set out in the product filing documents as per the applicable product filing procedure as per Section V of the Master Circular.
    - The discounts for various rating factors specific to the group, which would be accounted for arriving at the final premium, shall comply with the Section 41 of the Insurance Act, 1938 and Rule 11 & 12 of the Insurance Rules, 1939.
    - The discounts, if any, all put together shall not be more than 30% of the approved premiums under the extant filing procedure as per Section V of this circular.

  - Similarly, the loadings, if any, all put together shall not be more than 30% of the approved premiums under the extant filing procedure as per Section V of the Master Circular
- Profit Sharing/Experience Rating under Group Insurance Schemes:
  - Minimum number of life years covered under a Group Master Policy should not be less than 1000 for considering profit sharing. Where for a scheme year the available experience is less than 1000 life years, profit sharing arrangement shall be deferred until the end of the scheme year in which the minimum number of life years of 1000 in scheme is reached on cumulative basis prospectively.
  - Profit sharing shall not be allowed other than on a scheme year basis.
  - Whether to carry forward losses or not shall be decided by the Appointed Actuary having regard to related factors like pricing basis, percentage of profit sharing formula and assumptions for profit sharing etc.
  - Profit sharing percentage shall not exceed 75% (seventy-five per cent) if number of life years for a scheme is less than one lakh and shall not exceed 90% (ninety per cent) if the number of life years is one lakh and more for a scheme.
  - Mortality assumption for this purpose shall not be lighter than 60% of the rates under the standard mortality table prescribed for the pricing assumptions i.e. currently IALM (2012-14).
  - The experience rating / profit sharing formula and related assumptions shall be as per the extant filing procedure as per Section V of the Master Circular

g. In case of introduction of a new product replacing an existing similar product, the premium rates and benefits of the new product shall be reasonable and fair.

h. For individual unit linked insurance products (ULIPs):
- Illustrated Unit Fund value at maturity shall be at least 90% of total premium paid at 4% gross yield on the Unit Fund after allowing for all the deductions under the policy, including underwriting loadings, if any.
- The mortality / morbidity assumption used for mortality / morbidity charge shall be consistent with that used for profit testing the product.

i. For credit life products:
- The coverage term at inception shall not be more than the outstanding loan tenure
- Sum Assured shall also be consistent with the original loan amount sanctioned for level cover or with the loan schedule at inception.

j. In case of riders:
- expenses, if required, may be loaded only on marginal basis for non-linked riders;
- the premium pertaining to health related or critical illness riders shall not exceed 100% of premium under the base product, the premiums under all other life insurance riders put together shall not exceed 30% of premiums under the base product;
- any benefit arising under each of the above mentioned riders shall not exceed the sum assured under the base product except for Accidental death benefit riders where the rider sum assured is limited to a maximum of three times of base sum assured;
- the rider or riders attached to a life insurance policy shall bear the nature and character of the base policy, viz. participating and non-participating and accordingly, the life insurer shall make provisions etc. in its books.

5.3 Viability of the Premium rate and charges

a. The premium rates/charges are equitable between policies sold through different distribution channels.
b. The product/rider shall be financially viable.
c. The profit margin shall be reasonable.

5.4 **System Readiness**

PMC shall recommend the launch of approved insurance products and shall issue system readiness certificate, only after ensuring that all the processes, suitable infrastructure, system requirements and standard operating procedures are in place on an ongoing basis from policy issuance to claim settlement, including determination of reserves & solvency margin and for seamless operations of the insurer including policyholders' servicing on a day-to-day basis.

The system readiness certificate shall be issued in compliance with Clause 32 and 53 of Master Circular.

5.5 Filing and Compliance

a. Compliance with the Insurance Act, 1938, all Regulations and directions of the Authority, and all other extant norms as applicable shall be adhered to.
b. Compliance with additional guidance including any check-list issued/communicated by the Authority from time to time shall be adhered to.
c. The information submitted shall be consistent across all the filed documents.
d. Proposal form contains particulars which are in conformity with the provisions of Section 41 & 45 of the Insurance Act, 1938 and extant regulations, guidelines.
e. Product/rider offered in the market shall be in line with the documents submitted/to be submitted with the Authority as per provisions of Master Circular.
f. Compliance with the requirement to submit relevant certificate/(s) in the format specified in Master Circular.
g. Upload the benefits, features, applicable terms and conditions, policy wordings/documents, prospectus (for example, sales literature), premium/premium calculator, benefit illustration, as applicable, on website in the chronological order of UINs, before the product is launched or within seven days of allotment of UIN, whichever is earlier.
h. In respect of products launched under U&F, the insurer shall submit quarterly performance report of the products during the first four quarters from the date of launch of such products. The report shall be submitted within 45 days from the end of the quarter as per the Master Circular on Submission of Returns.
i. Summary of products/riders launched/modified under U&F procedure during the financial year shall be submitted on annual basis as a part of Appointed Actuary's Annual Report as per the Master Circular on Submission of Returns.

j. Statement of changes to withdrawn life insurance products shall be submitted on annual basis as per the Master Circular on Submission of Returns.

5.6 Modification Frequency

Modification of existing on sale product shall be carried out after a reasonable time period from the launch date of existing version. Modifications shall be based on credible experience or on strong market indicators justifying the modification.

6. GUIDANCE FOR PRODUCT WITHDRAWAL AND MODIFICATION IN WITHDRAWAN PRODUCTS

a. Product Withdrawal

- Life Insurer shall inform the Competent Authority within seven days from the date of withdrawal of an existing product mentioning name and UIN of the product along with the rationale for withdrawal.
- Once the product is withdrawn, the F&U application of the withdrawn product cannot be changed / modified.

b. Modification in Withdrawn Products

Master Circular allows modifications to withdrawn products in order to provide additional benefits/features to existing policyholders in compliance with Clause 86 and 87 of Section VII.

PMC shall review and approve the changes to introduced as allowed under relevant clauses of Master Circular.

The entire set of documents shall be maintained by PMC as part of document management.

7. Review of the Policy

- The Policy shall be reviewed by the PMC from time to time as required but at least annually and placed in the Board for approval.
- The CEO of the Company is authorized to make changes in the foregoing policy as may be required from time to time, which shall be presented to the Board at its subsequent meeting for approval / ratification. Any requirement under the law, to the extent applicable to the Company, that needs to be covered under the policy or any changes in the applicable laws, to the extent applicable, shall be deemed to be incorporated into this policy automatically. The Policy, along with changes, if any, shall be reviewed by the Board of Directors on annual basis.

ANNEXURE 1: NEW PRODUCTS/RIDERS ALLOWED UNDER U&F PROCESS BY IRDAI

The list below is as per Section B of Chapter I of the Circular.

1. Individual non-linked pure term insurance products
2. Individual non-linked term insurance products with return of premium not exceeding 100% of total premium paid
3. Individual and group non-linked health insurance products
4. Individual and group linked insurance products
5. Group Non-linked term insurance products (including one-year renewable, single premium, Regular/Limited Premium)
6. Group Credit Life Insurance Products
7. The following group Fund based insurance products:
   a. Group Superannuation Product
   b. Group Gratuity Product
   c. Group Leave Encashment Product
   d. Group Post-Retirement Medical Product
   e. Group Products with significant savings element
8. All riders for individual & group business, including:
   a. Term rider
   b. Accidental Death Benefit rider
   c. Accidental Total / Partial Permanent Disablement rider
   d. Waiver of Premium rider
   e. Critical Illness rider
   f. Terminal Illness rider

   (The above list of riders is not exhaustive.)

9. Combi products, where Go Digit Life Insurance is a lead insurer and such Combi products shall comply with applicable provisions under Master Circular