

WHAT'S IN IT 4me

DEMYSTIFYING new

product guidelines

■ COME, October 1, you will find a completely revamped portfolio of life insurance products whether you choose to buy a unit-linked or a traditional plan. So what will the new products mean for you as a customer.

Overall, it will continue to be beneficial as long as you continue to look at insurance as a long-term savings and protection instrument. The insurance regulator came out with the new guidelines, as some products available in the market were many decades old and was not catering to the evolving needs of the customer.

The new regulation will ensure that all products are based on today's need providing a level playing field to all insurers. The new portfolio of products for instance will offer lower commissions, higher surrender value, uniform life protection and are more transparent.

In an industry that is already built on trust, such augmentations intrinsically benefit the end users—the customers. Just to highlight some of the key impact areas like surrender charges, which has been further redefined and simplified rewarding customers who stay longer with the insurance company. As per the new guideline, those who exit within two to three years get 30 per cent of premiums paid as surrender value. On the other hand, they get 50 per cent if they exit between four and seven years and 90 per cent if they stay invested till two years before maturity. Some of the other changes include reduction in overall distribution commission and it has been linked to premium paying terms for all products with short-term product attracting lower commissions. The sum assured is now being guaranteed at a higher amount than before ensuring that the protection element of an insurance product is not being compromised. But one needs to understand that a higher life cover means higher mortality charges leading to an increase in premium. The benefit illustration will change to 4 per cent and 8 per cent from current 6 per cent and 10 per cent and this will give a more realistic picture of returns to the customers. The regulator has also asked all insurers to refile products in such a way that customer and business both are protected. As a customer, you are now in a better position to compare products and make an informed decision basis the brand, returns and servicing experience.

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