

IRDAI issues circular on advertising rules for insurance companies

BY NAVNEET DUBEY, ET ONLINE | OCT 17, 2019, 05.30 PM IST

Insurance buyers need to be aware that insurance companies are required to follow certain norms in advertising their policies. The aim of these restrictions is to ensure that insurance buyers should not get hoodwinked by aggressive advertising.

The IRDAI has, in a master circular issued today, updated the restrictions placed on advertising of insurance policies and the advertising rules that insurers have to follow to safeguard consumer interests.

These rules include: Wherever guaranteed returns are offered the conditions attached must be clearly mentioned; Text spelling out the conditions related to guaranteed returns must be at least 50% of the text describing the guarantee; Asset mix of ULIP funds must be disclosed half yearly; Insurers cannot claim to hold a particular rank in the market.

The aim of these restrictions is to ensure that customers should not get hoodwinked by aggressive advertising - whether done through television, telephone calls or through the internet - by insurers.

IRDAI (Insurance Regulatory and Development Authority of India) in the updated master circular on insurance advertisements states: "The insurers are expected to adopt fair, honest and transparent practices in the market-place and avoid practices that tend to impair the confidence of the public. As it may be difficult for the public to understand and evaluate the inherent details in the various insurance products, it is of paramount importance that the publicity material is relevant, fair and in simple language enabling informed decision making about whether or not to buy a specific insurance product."

The original master circular detailing the rules to be followed in insurance advertisements was issued on August 20, 2015. Insurance buyers need to be aware that insurance companies are required to follow certain norms in advertising their policies. Some of the important advertising rules that are required to be followed by insurance companies are:

1. Terms and conditions related to guaranteed returns should be disclosed

Where any insurance advertisement highlights the benefit of Guarantees, clear disclosure of the underlying conditions under which the guarantee operates must be made, wherever applicable. In all such cases, all the conditions (including the cost of guarantee, charges) under which the guarantee operates need a prominent mention.

2. 'Conditions apply' text must be of specified size to ensure that buyers notice it

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If the underlying conditions are very elaborate, the text/wording on Guarantee must be accompanied by the phrase "Conditions Apply" in a font that is at least 50% of the font used to highlight the guarantee. These conditions must be distinctly mentioned in a legible font beneath, not making it part of other applicable disclosures.

3. Benefit illustrations provided in insurance policies must be with both scenarios

Investment returns of 4% per annum and 8% per annum (or as specified by IRDAI from time to time) with equal prominence in font size, at the same place and in the same page.

4. Asset mix of ULIP fund's investments must be disclosed to the customer half yearly

In respect of Unit Linked Life Insurance Products (ULIPs) the actual asset mix of various underlying funds related to the asset composition of approved asset pattern shall be placed on the web portal of respective life insurance companies at least on a half-yearly basis. This information on investment updates is to ensure that clear, actual and timely information is made available to prospects to make an informed financial decision.

5. In ULIPs, premium invested vs mortality charges has to mentioned clearly

In a Unit Linked Insurance Plan (ULIP), the insurer must clearly mention the percentage of premium that will be invested for the buyer in the benefit illustration given at the time of buying the policy. The balance of the premium is used to pay various charges levied by the insurer such as mortality and administrative charges.

The Benefit Illustration (BI) should carry a declaration in the capital and bold letters. This declaration is "I ALSO UNDERSTAND THAT WHILST _ % OF MY FIRST YEAR PREMIUM WILL BE INVESTED IN UNIT LINKED INVESTMENT FUNDS THERE ARE CHARGES DURING THE FIRST POLICY YEAR AS GIVEN IN THE BENEFIT ILLUSTRATION".

Making the above declaration mandatory ensures that the person buying the policy is aware that all the premium he is paying will not be invested i.e. only a part of the premium will earn returns.

6. Insurers cannot claim to hold any particular rank in the market

No claim of ranking by an insurer regarding its position in the insurance market, based on any criteria (like premium income or a number of policies or branches or claims settlements etc.,) is permissible in any of the advertisements, as per the circular.