

## **REGULATION OF INSURANCE INDUSTRY ACT - DIRECTION**

**01.02. 2024**

**No. 01 of 2024**

### **DIRECTION IN RESPECT OF LONG-TERM INSURANCE PRODUCTS**

The Commission, at its 224<sup>th</sup> meeting has decided to direct insurance companies carrying on **long term insurance business** to comply with paragraphs (A) to (C) hereof. In addition, the Commission, at its 246<sup>th</sup> meeting has decided to direct as stated in paragraph (D):

**(A) Cooling off period** (This is as per Direction # 8 of 1<sup>st</sup> April 2016, which is in force)

Insurers are required to disclose the cooling off period (as specified below) **in the policy document:**

"A policyholder shall have twenty-one (21) days from the date of receipt of the policy document to examine its terms and conditions (known as Cooling-off period/free-look period). A policyholder may terminate the policy within the Cooling-off period / Free-look period and the insurer shall refund: -

- The unallocated premiums;
- Value of units that have been allocated (if any) at unit price at the next valuation date; and
- Any insurance charges and policy fees that have been deducted; less medical expenses which may have been incurred. "

**(B) Guaranteed and Non-guaranteed Benefits of the Policy**

Insurers are required to disclose the guaranteed and non-guaranteed benefits applicable, **in the quotation issued to the policyholder and in the policy schedule/cover**. Ex: Guaranteed death cover – Rs 5 million etc.

**(C) Applicable Policy Schedules**

- Insurers are required to disclose the applicable schedules of the policy document relating to the respective policyholder **in the policy schedule/cover** in order to facilitate the policyholder to clearly understand the policy benefits and the coverage.
- Insurers are further directed to attach a copy of the proposal form/application form to the policy document.

**(D) Minimum policy period for endowment products including single premium endowment products**

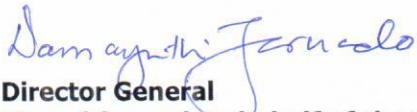
Endowment policies issued by insurers shall not have a policy period less than **3 years**.

### **Applicability**

- Requirements in paragraph (A) of this Direction came into effect on 01<sup>st</sup> April 2016. Accordingly, Direction # 8 issued on 01<sup>st</sup> April 2016 is repealed.

2. Requirements in paragraph (B) & (C) of this Direction came into effect from 01<sup>st</sup> October 2022.
3. Requirements in paragraph (D) of this Direction shall come into effect immediately for all new endowment policies. The sale of endowment products where the policy period is less than 3 years shall be discontinued with immediate effect.
4. In view of the above Direction, the existing Direction No. 3 of 2022 issued on 24<sup>th</sup> August 2022 is hereby repealed.

This Direction is issued in terms of Section 96A of the Regulation of Insurance Industry Act, No. 43 of 2000.



**Director General**

**Signed for and on behalf of the Commission**