



INSURANCE
REGULATORY
COMMISSION OF
SRI LANKA

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INSURANCE REGULATORY COMMISSION OF SRI LANKA

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**GUIDELINES ON POLICY FRAMEWORK FOR LONG TERM INSURANCE PRODUCTS
APPLICABLE TO ALL LONG-TERM INSURANCE COMPANIES
ISSUED ON 09TH AUGUST 2024**

1. INTRODUCTION

This guideline is issued pursuant to Section 37 (2) of the Regulation of Insurance Industry Act, No.43 of 2000 (the RII Act) to ensure that the terms of the insurance contract covered by such products are fair and equitable. The Insurance Regulatory Commission of Sri Lanka (IRCSL) is empowered in terms of Section 37 of the RII Act to direct amendments to any policy form, and it shall be the duty of the insurance companies, to give effect to such amendments to safeguard the interest of the policyholders.

2. PURPOSE

The purpose of this guideline is to set forth a framework for the essential components (elements) of the policy documents of Long-Term Insurance products offered in Sri Lanka to protect the policyholders' interests.

3. SCOPE & APPLICABILITY

- 3.1 These guidelines are to be complied with by all insurance companies registered to carry on Long-Term insurance business under the provisions of the RII Act;
- 3.2 These guidelines shall apply to all new Long-Term insurance products from the date of issuance of these guidelines;
- 3.3 These guidelines shall apply to all existing Long-Term insurance products open for new business within 6 months from the date of issuance of these guidelines.

4. POLICY DOCUMENTS

- 4.1 The policy document shall include the following contents:
 - 4.1.1 Name, Logo and Contact details of the insurance company and the name of the product on the front page. The correct name of the product shall be mentioned in all documents issued to policyholders such as quotation, proposal form, policy schedule etc. (if applicable) pertaining to the insurance policy.
 - 4.1.2 The policy document starts with (in the preamble) a statement with the authorized person's signature along with the designation. The Board of Directors and the Principal Officer of the insurer shall delegate such powers to the authorized person to place his / her signature in the policy document on behalf of the company.
 - 4.1.3 Insurance policy shall include an index page, indicating the title, section, subsections (if applicable) and the corresponding page number. For the digital version, link to access relevant sections is acceptable.
 - 4.1.4 The policy document shall include the following mandatory key sections:
 - a) "Coverage / key purpose (objective) of the product" - benefit that is provided with illustration (appropriately) e.g. Death benefit, maturity benefit etc.
 - b) "Key Definitions".
 - c) "Conditions".
 - d) "Exclusions".

- e) *Additional benefits / Riders (if applicable).*
- f) "Claims Handling Procedure"
- g) "Grievances / Complaints Handling Procedure"
- h) "Dispute Resolution Procedure"

4.2 The "Coverage / key purpose (objective) of the product" shall be described in a separate section covering all features of the product (basic essential) in a clear and simple language.

4.2.1 This description shall include information about i.e., what risk(s) is (are) covered.

4.2.2 A basic cover and additional benefits / Riders applicable to the main product shall be clearly stated in the policy document and / or policy schedule.

4.2.3 Life covers shall provide a basic life cover, with clearly described additional benefit /riders which were added optionally with the consent of the policyholder with respective premiums or risk charge computation formula as applicable in the policy schedule.

- When the riders are inbuilt with the life cover, the total premium shall be shown together with the names of the applicable riders description of life benefit and maturity benefit and guaranteed, non-guaranteed nature shall be included in the objective clause in the policy document with clear references to policy schedule.
- The product which provides maturity benefits, an explanation of the guaranteed maturity benefit (equal to, e.g., a refund of premiums, the sum assured assuming an annual return of X%, etc.) shall be provided when such options are provided.
- The insurer shall provide the illustrated maturity benefit in respect of non-guaranteed benefit in the policy schedule and the interest rates stated in the illustration have to be realistic at the time of offering the product.

4.2.4 The insurer shall provide the percentual a yearly allocation of the premium to the fund / account of the policyholder shall be mentioned (depending on the type of policy e.g. unit linked, universal life etc.).

4.2.5 The insurer shall provide minimum and maximum entry age of the policyholder of the main cover, minimum and maximum policy term, (when applicable).

4.2.6 The insurer shall disclose all the charges including surrender charges (if applicable) in the policy document and / or policy schedule (Please state whether such charges are fixed or variable). The insurer shall disclose the surrender value / charge / rates in the policy document / schedule (if applicable) in exact values or as formula.

4.2.7 If a grace period is applicable, the insurer shall provide clear explanation on its applicability.

4.3 The "Key Definitions"; Technical terms shall be clearly defined in a separate section with clear description titled "Key Definitions" in more generic manner and in simple language with examples, if required. Please provide examples of interpretations when complicated terms, conditions and exclusions are used. Please state the key definitions in respect of additional benefits / riders under separate heading called "Key Definitions in respect of additional / rider benefits".

4.4 The Conditions imposed by the Insurer shall be described in a separate section titled 'Conditions'. When additional benefits / riders are provided please state the conditions applicable for those additional benefits / riders separately under the headings called "conditions in respect of additional benefits / riders".

4.4.1 Conditions shall be called "Conditions" and not be called as 'special conditions', or 'special provisions'.

4.4.2 Relevant and applicable clauses in respect of the product shall be clearly stated, when products are bundled (i.e. riders are attached with the main life products).

- 4.4.3 when the insurer provides rider benefits where specific conditions apply to them, i.e., conditions that are not included in the *General Conditions*, or exclusions, maximum cover limits and / or deductibles, etc. they must also be described clearly under the heading of the riders.
- 4.5 The "Exclusions" shall be described in a separate section.
- 4.5.1 The term "exclusions", shall not be called 'exceptions.
- 4.6 Any additional benefits / riders offered by the Insurer in respect of said product, shall be described in separate sections titled additional benefits / riders.
- 4.6.1 All conditions applicable to the additional benefits / riders shall be described clearly under the corresponding headings of additional rider or benefits.
- 4.7 The claim handling procedure shall be explained in a separate section under the said heading and include the following:
- 4.7.1. Procedure for intimating a claim to the insurance company (how to inform the insurance company), the telephone number and / or email address of Claims Handling Division / Unit
- 4.7.2 Documents to be submitted to insurance company (in the event of death and for other benefits) including the claim form.
- 4.7.3 The standard requirements applicable to the settlement of claim.
- 4.7.4 The time frame applicable for settlement of claims as per the Direction 6A.
- 4.7.5 Reference to the claim form shall be disclosed in the policy document.
- 4.8 A section titled Grievances / complaints handling and Dispute Resolution procedure shall be explained and included under the said heading and shall include the following:
- 4.8.1 Methodology of filing a complaint against an Insurer including appealing process.
- 4.8.2 The telephone number and / or email address of Complaints Handling Division / Unit.
- 4.8.3 The time frame applicable for resolving complaints (other than claims).
- 4.8.4 Dispute Resolution methods and procedures shall be described clearly under each method and / or option such as;
Dispute resolution method at company level (internal process)
- a) Dispute resolution by the Insurance Ombudsman
 - b) Dispute resolution by the IRCSL
 - c) Litigation through the Court system
- 4.9 The Policy Schedule
- 4.9.1 The policy schedule shall include the following:
- a) the name and contact details of both the policyholder and the insurance company
 - b) Date of issue of cover
 - c) the policy number
 - d) the name of the product, description of cover/s, and the premium charged for it, subject to clause 4.2.3
 - e) the date of commencement of the policy and the period of coverage of the policy
 - f) Applicable cover limits, applicable premium and any other charges applicable
 - g) The name(s) of additional benefits / riders selected by the policyholder including the relevant additional premium(s) subject to clause 4.2.3. Reference to the section in the policy document shall be mentioned.
 - i) details (names, NIC / date of birth etc.) of beneficiary / legal representative / assignee (if applicable).

- 4.9.2 In addition, applicable sections with regard to conditions, exclusions, *additional benefits* / riders and any other sections or annexes that may be relevant to said product shall be disclosed or provided by way of reference to the policy document, in policy schedule.
- 4.9.3 Printed signature of the Principal Officer or authorized officer of the insurance company, as the case may be, shall be included at the end of the policy schedule.
- 4.10 All documents pertaining to insurance products shall comply with the following:
- 4.10.1 Font size of contents shall be as required by Circular No. 43 dated 2nd July 2020, i.e., Times New Roman 12.
- 4.10.2 Insurance Policy availability in three languages (Sinhala, Tamil, English) as required by Circular No. 43 dated 2nd July 2021 as preferred by the policyholders.
- 4.11 Application / proposal form shall include a declaration obtained from the policyholder confirming that the coverage, exclusions, conditions, riders / *additional benefits* and claim and complaint handling procedure information are explained to the policyholder by the insurer or intermediary and understood by the policyholder.

5. COMPLIANCE WITH DIRECTION 1 OF 2024

When insurers design the insurance products the salient features stated in the above Direction need to be incorporated appropriately.

6. COMPLIANCE

These guidelines shall come into effect from;

- 6.1 All new Long-Term Insurance products from the date of issuance of these guidelines; and
- 6.2 All existing Long-Term insurance products, which are open for new business within 6 months from the date of issuance of these guidelines. Such revised products need to be filed with IRCSL, and acknowledgement obtained that the company has complied with this framework.

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