

Index-linked insurance policies (ILIPs)

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In News: According to the Irdai Working Group committee report, Ilips can be an alternative or complementary option to the current conventional guaranteed products (including annuities and savings products) and unit-linked insurance plans (Ulips), particularly in the context of volatile markets and stressed interest rates.

Background:

- Life insurers had approached Irdai with a request to allow them to offer index-linked products. Life insurance companies currently offer two product categories – unit-linked insurance plans and traditional plans.
- Current IRDAI product regulations do not specifically permit insurers to sell index-linked products.

What are Index-linked insurance policies (ILIPs) ?

- The returns coming from the ILIPs will be linked to benchmark indices.
- ILIPs are the Insurance products linked with the benchmark indices.
- It includes a 10-year Sovereign Bond Index, Sensex or Nifty, etc.
- The ILIPs linked with the government bonds are less risky while those linked with the equity-based indices will go through the fluctuation in returns in accordance with the stock market performance.
- ILIPs are the alternative or complementary option to the current conventional guaranteed products such as annuities and savings products.
- It can also be used as unit-linked insurance plans

(ULIPs) with respect to the volatile markets and stressed interest rates.

- The ILIPs can be regarded as a life insurance policy under Section 10(10D) and taxability of the Insurance Policy Act.

Insurance Regulatory and Development Authority of India (IRDAI)

- It is an autonomous, statutory body which is given the task to regulate and promote the insurance and re-insurance industries & insurance agency in India.
- An Act of Parliament passed by the Government of India in 1999 known as Insurance Regulatory and Development Authority Act, 1999 which led to its creation.
- The headquarters of Insurance Regulatory and Development Authority of India (IRDAI) are in Hyderabad, Telangana.

Structure Of IRDAI

It is a 10-member body which includes:

- Chairman,
- Five full time &
- Four part time members appointed by the government of India.

Functions

- Promote and regulate professional organisations connected with insurance and reinsurance business; regulate investment of funds by insurance companies
- Protect the rights of insurance policy holders.
- Provide registration certification to life insurance companies.
- Adjudication of disputes between insurers and intermediaries or insurance intermediaries.