CANARA HSBC LIFE INSURANCE COMPANY LIMITED
CIN: U66010DL2007PLC248825

Product Management & Pricing Policy (PMPP)

Owned by: Products

Version: 1.4

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Version History

Release Date	Version	Revision Description	Approved By
14.07.2022	1.0	Initial Version	PMC
18.07.2022	1.0	Initial Version	RMC
19.07.2022	1.0	Initial Version	Board
16.08.2023	1.1	Updated Version	RMC
28.08.2023	1.1	Updated Version	Board
22.07.2024	1.2	Updated Version	RMC/Board
04.03.2025	1.3	No change	RMC
26.03.2025	1.3	No change	Board
21.05.2025	1.4	Updated Version	RMC/Board

1. Policy

The Product Management Committee (PMC) of Canara HSBC Life Insurance Company Limited (henceforth referred to as "the Company") shall refer to this Policy to give its concurrence on the product submitted to it, under the 'Use & File' procedure and on customer facing and other relevant documents for products to be filed with IRDAI under 'File & Use' procedure.

2. Purpose

The purpose of this Policy is to enable the Company to objectively design and price new products/ riders or make modifications to existing products/ riders before filing with the PMC under the 'Use & File' procedure; and to review the relevant documentation for products to be approved under the 'File & Use' procedure or to recommend product withdrawals.

The approval of the PMC for any new product/ rider or modification/ withdrawal of an existing product/ rider shall be in accordance with this Policy.

3. Scope

This Policy is applicable to new products/ riders or modification/ withdrawal of existing product/ riders as mentioned in the Insurance Regulatory and Development Authority of India (Insurance Products) Regulations, 2024 and Master Circular on Life Insurance Products, as may be amended from time to time.

The actual decision around base commission/ remuneration/ rewards for intermediaries will be out of scope of this Policy and shall be as per the Board Approved Commission Policy. The underwriting philosophy of the Company including risk assessment, insurer's risk appetite and risk tolerance limit shall be as per the Board Approved Underwriting Policy.

4. Application

The Company should evaluate the various aspects of a product i.e. design, pricing, risk, market best practices and ensure an overall fairness to the customers, in light of local market competitiveness and customer need fulfilment. This Policy shall enable the Company to take decision regarding fairness to customer while balancing the value exchange to other stakeholders i.e. distributors and shareholders.

4.1. Product Design and Benefits

The Company will ensure that the proposed product/ rider is well defined and well articulated in terms of needs of the customer segment the product targets to fulfil. There should be overall visibility given to the PMC around competitiveness in features, benefits, base commission/ remuneration (used for pricing), etc. The product design should also take into account the channel dynamics and other best practices of similar products in the industry, if any. The Company shall ensure that the product structure and benefits are objectively evaluated against parameters as mentioned below but not limited to the following:

- The number of options/ variants offered under the product are reasonable
- All options are easily explainable to policyholders
- The benefits amongst the options/ variants are not overlapping in nature
- The product structure is in complete compliance with regulatory requirements
- Base Commission/ remuneration used for pricing under the product are reasonable and broadly in line with industry practice
- The underwriting guidelines are prudent yet customer friendly and ensuring fair risk assessment

4.2. Risks

The Company shall assess all potential risks associated with any new or modification of product(s)/ rider(s) to ensure a proper design, appropriate pricing and filing with the Authority with complete compliance of regulatory requirements.

The Company's overall approach to risk management is based on the principle that all types of risks must be identified, assessed, managed, monitored and reported adequately in order to generate value for each of the stakeholders, including customers.

The PMC shall carry out a due diligence process and record its concurrence on various product related risks such as risks related to capital requirements, profitability, underwriting, reinsurance, etc.

4.3. Pricing

The Company will ensure the reasonableness and fairness of premium rates and benefits along with the various demographic/non-demographic assumptions used in the pricing of the products/ riders, including but not limited to the following:

- The premium rates/ charges, benefits structure are sound and have been derived using generally accepted actuarial principles. For example:
  - ✓ Premium rates/charges/benefits under the products vary by age
  - ✓ Consistency between investment return assumptions and assumptions for inflation of expenses while deriving premium rates
- All the underlying assumptions (such as mortality/ morbidity, expenses, base commission/ remuneration, lapse/ surrender and paid-up/ investment etc.) are reasonable and fair and shall be subject to the limits prescribed under IRDAI (Expenses of Management, including Commission of Insurers) Regulations , 2024 and appropriately reflect benefits and terms and conditions applicable to the product
- The applicability of assumptions/ loadings/ discounts to various sub-groups/ groups to be objective, justifiable and in accordance to defined criteria
- The similar risks in the products/ riders are not discriminated in terms of premium being charged
- Premium basis to be in line with Company's own experience, to the extent possible and the basis shall be supported by comparison of actual experience with the assumption over a period of 3-5 years under that product/rider, wherever possible
- Pricing assumptions to be consistent with the valuation assumptions used for the purpose of profit testing

- Premium rates/ benefits are equitable between the policies sourced through various channels
- The products/ riders shall be financially viable at the portfolio level
- The profit margin shall be reasonable
- For limited pay/single pay pure risk products: Non-forfeiture benefit shall be reasonable and fair.
- In case of the group product:
    - the premiums quoted to various groups are in line with the premiums filed under the extant filing procedure.
    - Where different premium rates are applicable for different mortality assumptions, the selection of a specific mortality rate for a particular group shall be in accordance with objective criteria laid down in the Board-approved underwriting policy.
    - The discounts and loadings offered based on various rating factors specific to the group, such as group size, shall not be at the discretion of the insurer.
    - be based on objective criteria as set out in the product filing documents as per the applicable product filing procedure.
    - The discounts and loadings, if any, shall be applied on the premium applicable for the selected mortality as set out in the product filing documents as per the applicable product filing procedure as per Section V of this circular.
    - The discounts for various rating factors specific to the group, which would be accounted for arriving at the final premium, shall comply with the Section 41 of the Insurance Act, 1938 and Rule 11 & 12 of the Insurance Rules, 1939.
    - The discounts, if any, all put together shall not be more than 30% of the approved premiums under the extant filing procedure.
    - Similarly, the loadings, if any, all put together shall not be more than 30% of the approved premiums under the extant filing procedure.
- Profit Sharing/Experience Rating under Group Insurance Schemes. Minimum number of life years covered under a Group Master Policy should not be less than 1000 for considering profit sharing. Where for a scheme year the available experience is less than 1000 life years, profit sharing arrangement shall be deferred until the end of the scheme year in which the minimum number of life years of 1000 in scheme is reached on cumulative basis prospectively.
    - Profit sharing shall not be allowed other than on a scheme year basis.
    - Whether to carry forward losses or not shall be decided by the Appointed Actuary having regard to related factors like pricing basis, percentage of profit sharing formula and assumptions for profit sharing etc.
    - Profit sharing percentage shall not exceed 75% (seventy-five per cent) if number of life years for a scheme is less than one lakh and shall not exceed 90% (ninety per cent) if the number of life years is one lakh and more for a scheme.
    - Mortality assumption for this purpose shall not be lighter than 60% of the rates under the standard mortality table prescribed for the pricing assumptions i.e. currently IALM (2012-14).
    - The experience rating / profit sharing formula and related assumptions shall be as per the extant filing procedure as as per Section V of this circular.
- In case of introduction of a new product replacing an existing similar product, the premium rates and benefits of the new product shall be reasonable and fair.
- For individual unit linked insurance products (ULIPs):

   - Illustrated Unit Fund value at maturity shall be at least 90% of total premium paid at 4% gross yield on the Unit Fund after allowing for all the deductions under the policy, including underwriting loadings, if any.
   - The mortality / morbidity assumption used for mortality / morbidity charge shall be consistent with that used for profit testing the product.
- For credit life products:
   - The coverage term at inception shall not be more than the outstanding loan tenure.
   - Sum Assured shall also be consistent with the original loan amount sanctioned for level cover or with the loan schedule at inception.
- In case of riders:
   - expenses, if required, may be loaded only on marginal basis for non-linked riders;
   - the premium pertaining to health related or critical illness riders shall not exceed 100% of premium under the base product, the premiums under all other life insurance riders put together shall not exceed 30% of premiums under the base product;
   - any benefit arising under each of the above mentioned riders shall not exceed the sum assured under the base product except for Accidental death benefit riders where the rider sum assured is limited to a maximum of three times of base sum assured;
   - the rider or riders attached to a life insurance policy shall bear the nature and character of the base policy, viz. participating and non-participating and accordingly, the life insurer shall make provisions etc. in its books.
- If the product has a health component, exclusions, if any, shall be in line with medical ethics, based on medico-legal opinion obtained by the insurer in this regard.

4.4. Compliance and Monitoring

The Company shall ensure that a robust due diligence process is in place in order to comply with the applicable regulations, including but not limited to the following:

- Compliance with the Insurance Act, 1938, all regulations and directions of the Authority, and all other extant norms as applicable
- Compliance with additional guidance including any checklist issued/communicated by the Authority from time to time
- Information submitted shall be consistent across all the filed documents
- The Company shall build up, maintain and monitor the experience under all the distinct covers (including base and rider covers) separately
- Product/ rider offered in the market shall be in line with the documents submitted with the PMC
- Proposal form contains particulars which are in conformity with the provisions of Section 41 & 45 of the Insurance Act, 1938

5. Ownership

The Policy is owned by the Products function and is to be approved by the PMC, Risk Management Committee (RMC) and the Board.

6. Review and Authorization

The future changes in this policy shall be approved by the PMC, RMC and the Board. In addition, the Appointed Actuary shall also submit the summary of products/ riders launched/ modified during the year under Use & File procedure including experience under such product/ rider along with the Appointed Actuary's Annual Report (AAAR) as annexure and a quarterly report with respect to the products launched for the first four quarters from the date of launch of the product.

Any applicable regulatory changes will be considered as part of the Policy. Necessary changes to the Policy will be incorporated and presented in the next meeting of the Committee/ Board.

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