Edelweiss Life Insurance Company Limited
(formerly known as Edelweiss Tokio Life Insurance Company Limited)

Product Management and Pricing Policy

APPROVED BY BOARD OF DIRECTORS

VERSION NUMBER	DATE OF BOARD MEETING/CIRCULAR RESOLUTION
Version 1	June 27, 2022
Version 2	May 15, 2023
Version 3	July 25, 2024

<u>**Product Management & Pricing Policy**</u>

I. OBJECTIVE

Insurance Regulatory and Development Authority of India ('IRDAI'/Authority) has issued Insurance Regulatory and Development Authority of India (Insurance Products) Regulations, 2024 vide F.No. IRDAI/Reg/8/202/2024 dated March 20, 2024 and the Master Circular on Life Insurance Products vide ref. IRDAI/ACTL/MSTCIR/MISC/89/6/2024 dated June 12, 2024. In accordance with the above mentioned Regulation and the Master Circular on Life Insurance Products, the Company has created this Policy with the following objectives:

a. To ensure that appropriate governance is in place with respect to principles of design and pricing of life insurance products
b. To ensure appropriate designing and pricing of life insurance products for the target market, in line with the objectives of the Company and compliance to applicable regulations/circulars/checklists issued by the Authority in this regard
c. To ensure appropriate due diligence with respect to product design and pricing including the identification and mitigation of various risks is in place
d. To ensure regulatory compliance and recommending products for filing under File and Use procedure
e. To ensure that products falling under Use and File category are approved
f. To ensure a periodical review of product performance, market conduct issues including grievances and taking up corrective actions, as may be necessary
g. To ensure modification or withdrawal of the product, if required
h. To ensure overall management of the life insurance products
i. To ensure maintenance of documentation of the decisions taken for each product for inspections of the Competent Authority

II. FRAMEWORK

The products/riders should be designed keeping the customer at the center by gathering the insights to understand their intrinsic needs, ever evolving demands, behavioural patterns, etc. The Company, while designing and pricing the products, should ensure that the balance between all the key stakeholders is considered and the product design is in line with the applicable regulatory framework. It should be ensured that all the policyholders' interests are protected while catering to their financial needs and goals and ensure compliance with applicable regulations and master circular as amended from time to time.

The Company should follow appropriate due diligence process and ensure the following at different stages of the product designing, pricing, and filing:

a) Product Design

The Company should ensure that the product design is fair and takes into account the needs of different sets of policyholders while ensuring the following:

a. The product design is in compliance to the 'Applicable laws and Regulations'.
b. The product design for new and existing products is based on the ever evolving risk coverage needs of customers and fits well in the product portfolio of the company.

c. The product design must be simple to understand and should maintain transparency and clarity in product wordings, terms, coverage, exclusions and conditions
d. The product design should ensure that the basic principles of insurance such as insurable interest, indemnity, utmost good faith, proximate cause, contribution clause, salvage and subrogation etc. are upheld
e. The policyholder's options available are not anti-selective in nature
f. The product design does not pose any system related risks and anti-selection risk
g. The product rationale & suitability is well documented and is justifiable
h. The product features are such that same can be set up on the policy administration system
i. The products are financially viable and self-sustainable
j. The appropriate systems, procedures relevant to the product, such as underwriting, pricing, reinsurance, claims management are in place
k. In case of a feature such as settlement option/income option/inbuilt income option etc. where benefits are payable in instalments on death or maturity, the instalment/income period shall be reasonable
l. The number of options / variants offered under the product shall be reasonable. All options / variants shall be easily explainable to prospective policyholders

b) Product Pricing

The premium rates/charges, benefit structure, terms and conditions should be workable and sound. The underlying assumptions should be reasonable and premium rates/charges are fair, appropriately reflect the benefits and terms & conditions of the product. The premium rate should be derived using generally accepted actuarial principle in this regard. The premium derivation, rating process and discounts offered / loadings should be unambiguous and objectively defined such that similar risks are not discriminated in terms of premium being charged.

The Company should consider the following while setting assumption, pricing products and model governance:

i. Assumptions Setting

Assumption setting is required in order to assess the eventual costs of Company's liabilities and setting the assumptions appropriately is one of the important aspects of product pricing. The Company, while setting the assumption for product pricing (both demographic and economic assumptions), should ensure that the assumptions are reasonable and justifiable and consider the following:

a. Appropriate justification for each assumption is being documented
b. The assumptions are consistent with similar existing products
c. The assumption is in line with the latest experience analysis results, over a period of 3 to 5 years under that product/rider and/or that product segment/rider segment, if any, after allowing for credibility
d. The assumptions allow for any trends in experience of the company

e. The assumptions are adjusted to reflect the expected future changes in experience of the company as well as the external environment in which the company is operating
f. In the assumption setting process, the Company may consider other alternative sources like reinsurance experience, industry experience, any other relevant information in this regard.
g. While setting pricing assumption for expenses, compliance with the limits prescribed by the Insurance Regulatory and Development Authority of India (Expenses of Management, including Commission, of Insurers) Regulations, 2024 or any prospective regulations in this regard shall be observed.
h. The assumptions for determining reserves for profit testing are reasonable, consistent with pricing assumptions used for profit testing and adhere to various regulation in this regard E.g., the margin for adverse deviation is in line with Actuarial Practice Standards issued in this respect
i. The requirements of Use and File and File and Use Procedures wherever applicable are also complied.

ii. Pricing

The pricing process involves projecting the cash-flows allowing for all the product features using the applicable demographic and economic assumptions. The Company, while pricing the product, should consider various factors like profitability, capital requirements, underwriting and ensure the following:

a. The pricing meets the profitability benchmarks as set by the Product Management Committee after considering the profitability objective as per the board approved plan including new business strain
b. The pricing is done in a manner to ensure that the product/ rider are financially viable and the profit margins are reasonable
c. The pricing is fair to different set of policyholders

d. The pricing is consistent and fair for different options in the product
e. The premium rates/charges are equitable between policies sold through different distribution channel
f. The profitability results are captured for all the options in the product
g. The pricing of policyholder's options and guarantees are based on stochastic methods wherever required
h. The underlying guarantees are not very onerous and are manageable in line with the existing products wherever applicable
i. The pricing is done considering all relevant factors such as risk appetite, capital availability, claim experience, reinsurance costs, guarantees, options etc
j. The product/rider shall be financially viable
k. The profit margin shall be reasonable
l. The policyholders' reasonable expectations (PRE) are met for with-profits products
m. All the risks relevant to the products should be appropriately considered in the pricing
n. The premium rates should be fair and not excessive, inadequate, unfairly discriminatory and provide value for money

o. Ensure compliance with applicable regulations and master circular as amended from time to time

iii. Pricing Model and Documentation

The Company should have appropriate governance in place with respect to pricing models and documentation and ensure the following:

a. Appropriate maker checker process in place
b. Appropriate version controls for any changes in the models are in place
c. Appropriate checks and access controls of the pricing models are in place
d. There is an additional peer review process in place within actuarial department
e. The results of the pricing models are sense checked using alternate sources wherever possible

c) Risk Identification and Mitigation

The identification of risks is an essential part of the product development and pricing process and having identified the risks, the company can put in place various mechanisms to mitigate, limit and/or monitor them. The Company should identify all possible risks in the product design and establish measures and controls which will assist in prevention, mitigation and management of these risks.

i. The various key risks are as follows:
   - Market/Investment risk
   - Lapse/Surrender risk
   - Mortality/Morbidity risk
   - Business mix risk
   - Reinsurance risk

ii. Scenario/sensitivity analysis should be performed to identify key risks in the product.

iii. Ensure appropriate mitigation tools are in place for each identified key risk.

iv. Various risk mitigation tools that may be considered are:
   - ALM Strategy
   - Controllability of Specific Risks
   - Underwriting
   - Claims Management
   - Reinsurance
   - Administration & Support Systems
   - Post Launch monitoring etc.

III. GOVERNANCE

A Product Management Committee (PMC) should be constituted and approved by the Board to implement this policy. The roles and responsibilities of the PMC are as defined in the charter.

The Appointed Actuary shall review all products offered for sale, at least once a year taking into account the following:

i. Reasonable expectations of all stakeholders, including policyholders
ii. Financial viability of the products
iii. Emerging risks and experience under the products
iv. Any other relevant factors

The Appointed Actuary shall present the results of such review to the PMC and make suitable recommendations for any modifications or withdrawal of the product.

For any revision either of the premium rates or the corresponding benefits or both with respect to the existing products, credible underlying experience of relevant risk parameters shall be considered. Such revision shall also consider the analysis of policyholders' grievances and market feedback, if any.

In respect of products launched under U&F, the insurer shall submit quarterly performance report of the products during the first four quarters from the date of launch of such products. The report shall be submitted within 45 days from the end of the quarter as per the Master Circular on Submission of Returns.

IV. REVIEW

The Board shall review and/or amend this Policy at least on an annual basis and as may be required from time to time.

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