

# Policies offering highest NAV off the shelves

**CAUTIOUS** Irda said such life insurance plans had potential of mis-selling

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**MUMBAI:** Customers will now not see life insurance products guaranteeing highest net asset value (NAV) as life insurers have withdrawn such products after the Insurance Regulatory and Development Authority (Irda) said insurers will not be allowed to offer such products from the beginning of this month.

The insurance sector regulator was not happy with these products as the possibility of misleading customers was higher while selling such policies.

"We have withdrawn such (policies guaranteeing highest NAV) products," said Anup Rau, chief executive, Reliance Life Insurance. "Irda's move of banning these products is positive for the insurance sector as it will reduce the practice of mis-selling."

Highest NAV-guaranteed products were products that promised to pay the highest value of the fund achieved during a certain period. But the problem was that fund managers

## RISK AVERSE

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have to take risks by investing in stocks to maintain the NAV at higher level, which created systemic risk in the sector.

Ban of such policies will, however, mean loss in business for some insurance companies that were aggressively selling these products. These NAV-guaranteed products accounted for nearly 20% of the life insurance sector's new premium income in 2012.

"For some private life insurance companies, these products were contributing up to 40% of new premium income," said an analyst with a brokerage firm.