



To,

ALL GENERAL INSURERS (OTHER THAN STAND-ALONE HEALTH INSURERS AND SPECIALISED INSURERS)

Re:- Withdrawal of Add-on 'Automatic Extension of Period Clause'

It is observed that some Insurers are offering 'Automatic Extension of Period Clause' as an add-on to annual policies such as Standard Fire Special Perils, Industrial All Risks, Office Package, Home Package, Shop Package etc.

2. It is noted that Automatic Extension of Period Clause provides policyholder an option to extend the base policy cover by a specified period and additional pro-rata premium is being charged for the same. The terms, conditions and exclusions for the add-on cover and the base cover are noted to be the same.

3. The period of cover under the base annual policy is 365 days whereas the period of cover under the add-on cover is opted for by the insured. The premium applicable for the add-on cover is the base policy rate prorated for the opted period.

4. As per the Guidelines on Product Filing Procedures for General Insurance Products (hereinafter referred as 'said Guidelines') issued vide IRDAI/NL/GDL/F&U/030/02/2016 dated 18th February, 2016, general insurance products that have a coverage period more than 1 year are considered as long term products.

5. As per General Rules and Regulations-3 of erstwhile All India Fire Tariff (AIFT-2001), *policies for a period exceeding 12 months shall not be issued except for Dwellings.*

6. Para 7.2 (IV) (i) of the said Guidelines mandates that *the standard products shall not be changed and no changes to General Rules and Regulations of the Tariff that has an impact on policy terms, conditions, wordings, clauses and endorsements shall be made until further orders issued by the Authority.*

Further, Schedule III Guideline 13 of the said Guidelines requires that *an Add on to basic policy shall not change the fundamental nature of the basic product and has to be consistent with basic principles of insurance.* The above add-on/clause converts the annual policy to long term cover with a prorated premium for specified period.

7. Automatic Extension of Period Clause amounts to changes to the above General Rules and Regulations of the erstwhile All India Fire Tariff and non-compliance with Guidelines on Product Filing Procedures for General Insurance Products.

Hence, all insurers are advised to withdraw add-ons offering coverage similar to 'Automatic Extension of Period Clause' with immediate effect and the same shall be informed to the Authority. The existing policies issued with the above clause may be allowed to remain in force till their respective expiry dates.

Yours faithfully,


(Yegnapiya Bharath)
Chief General Manager (NL)