



Equity Life Insurance: a new product on the Russian insurance market

On 25 December 2023, the Russian president signed Federal Law* No. 631-FZ on introducing a new investment product in Russia – the Equity Life Insurance (ELI) contract.

For citizens, the system of equity life insurance will become an additional tool for investment and capital accumulation, while for insurance companies it will lift the ban on business activities unrelated to the insurance business.

Details

An ELI contract combines provision of insurance cover to the policyholder with the possibility of generating income by investing part of the insurance premium in mutual investment funds (MIFs).

The policyholder can select instruments for creating an investment portfolio and have it managed through the insurer that now may obtain a management company licence. At the same time, MIF units, which funds are invested in under an ELI contract, will be owned by the policyholder, which will give additional guarantees in the event of the insurer or management company's bankruptcy.

The insurer's activities under an ELI contract will not constitute brokerage activities.

The amount of the insurance indemnity (the sum insured) or the redemption sum under an ELI contract will depend on the market value of the purchased units and the policyholder's investment strategy.

Investing in closed-end MIFs is possible upon payment of an insurance premium of at least RUB 10m, which gives the policyholder the status of a qualified investor.

The law provides for a "cooling-off period" under an ELI contract – 14 business days from the date when the policyholder pays the insurance premium, unless the insurer has already purchased investment units at the policyholder's instructions.

If the policyholder repudiates the contract during the "cooling-off period", the insurer is obliged to refund the paid insurance premium to the policyholder in full within 10 business days from receiving the policyholder's notice of repudiation of the contract.

Difference with other types of life insurance

The delegation of responsibility for investment decisions from the insurer to its client is a key difference between ELI and the long-standing investment life insurance (ILI) contract on the market.

Also, in the case of ELI, the client enters into a contract with the insurer for at least 5, 10 or 15 years, while ILI contracts are made for 3 to 5 years.

We believe that the new law will create the prerequisites for ELI to gradually oust ILI from the product line of insurance companies. For example, from 1 January 2026, the use of such instruments as options will be prohibited within ILI.

Conclusion

The use of ELI will not become possible until 1 January 2025 at the earliest, when the provisions relating to entry into ELI contracts will come into force. The Bank of Russia may also set additional requirements for the conditions and procedure for maintaining this type of insurance.

The emergence of ELI on the Russian insurance market will help develop the voluntary life insurance segment, expand the list of investment instruments, and attract long-term investment to the country's economy.

* *In Russian*

For further information, please email the authors or your usual contact at our firm.

Authors



Leonid Zubarev

Senior Partner
Head of Insurance

E leonid.zubarev@seamless.legal



Alla Ryashentseva

Senior Associate
Insurance

E alla.ryashentseva@seamless.legal

[Contact us](#)

[Unsubscribe](#)

[Manage preferences](#)

[Visit our website](#)



This information is provided for general information purposes only and does not constitute legal or professional advice. If you would like specific advice, please call your usual contact or the named contacts responsible for the issues addressed above.

Copyright © SEAMLESS LEGAL LIMITED 2023 All rights reserved.

As you are subscribed to our newsletters, your data is used and protected under the firm's [Privacy Policy](#). If you no longer wish to receive any news via email, please use the unsubscribe link above.