L-42- Valuation Basis (Life Insurance) – December 2014

A chapter on Valuation basis covering the following minimum criteria should also be displayed on the web-site of the Insurers.

a.	**How the policy data needed for valuation is accessed.**		The valuation data is extracted from the policy administration system RLS for individual business and Health business(other than Easy Health). Ashima Life system is being used for maintaining data for Group business & Easy Health product. Data for Rural individual and Group Social is maintained in spreadsheets.
b.	**How the valuation bases are supplied to the system**		Bases are supplied through tables of Actuarial Software (Prophet). The valuation is performed using Prophet system.
1)	**Interest : Maximum and minimum interest rate taken for each segment**		
	i. Individual Business		
1.	**Life- Participating policies**		6.20% p.a. for the first five years and 5.40% p.a. thereafter
2.	**Pension- Participating policies**		6.20% p.a. for the first five years and 5.40% p.a. thereafter
3.	**Life- Non-participating Policies**		
		Targeted to mass market	6.20% p.a. for the first five years and 5.40% p.a. thereafter
		Targeted to Rural Market	4.9% p.a.
		Micro Insurance type	7% p.a.
4.	**Annuities- Participating policies**		NA
5.	**Annuities – Non-participating policies**		6.64% p.a. for the first five years and 5.78% p.a. therafter
6.	**Annuities- Individual Pension Plan**		NA
7.	**Unit Linked**		6.20% p.a. for the first five years and 5.40% p.a. thereafter
8.	**Health Insurance**		4.9% to 6.20% p.a. for the first five years and 5.40% p.a. thereafter
	ii. Group Business	Targeted to mass market	6.20% p.a. for the first five years and 5.40% p.a. thereafter
		For Social Sector	6.20% p.a. for the first five years and 5.40% p.a. thereafter
		Micro Insurance	7.25% p.a
2)	**Mortality Rates : the mortality rates used for each segment (Please see note below for definition of IAM table)**		
	i. Individual Business		
1.	**Life- Participating policies**		88 to 112% of IAM Table
2.	**Pension- Participating policies**		78% of IAM Table
3.	**Life- Non-participating Policies**		Depends on the target market
		Targeted to mass market	35% to112% of IAM Table
		Targeted to Rural Market	342% of IAM Table
		Micro Insurance type	214% of IAM Table
4.	**Annuities- Participating policies**		NA
5.	**Annuities – Non-participating policies**		110% of LIC(06-08) Annuitant mortality with improvement of 4% p.a.
6.	**Annuities- Individual Pension Plan**		NA
7.	**Unit Linked**		Depends on the target market
		Single Premium & Pension	78% to 93% of IAM Table
		Regular Premium (Non Pension & Normal underwriting)	93% to 112% of IAM Table
		Simplified Underwriting products	149% of IAM Table
		Semi-Urban & rural markets	280% of IAM Table
8.	**Health Insurance**		62 % to112% of IAM Table
	ii. Group Business		
		Targeted to mass market (Credit Life & CI)	Factor based on the type of financial institution
		Credit Life new version	Factor based on the type of financial institution
		For Social Sector	215% of IAM Table
		Micro Insurance	150% of IAM

3) Expense :		
i) Individual Business	**Premium %**	**Per Policy (INR)**
1. Life- Participating policies	1st year: 11% to 22%p.a. , 2+: 2.2% p.a (within PPT) 0% p.a (after PPT)	Maintenance :Rs 772 in year 1, 732 in year 2, 688 in year 3, 644 in year 4, 626 in year 5, 677 in year 6 and inflating by 4.25% every year thereafter. Year represents a period of 12 months from the valuation date
2. Pension- Participating policies	1st year: 22% p.a. , 2+: 2.2% p.a (within PPT) 0% p.a (after PPT)	Maintenance :Rs 772 in year 1, 732 in year 2, 688 in year 3, 644 in year 4, 626 in year 5, 677 in year 6 and inflating by 4.25% every year thereafter. Year represents a period of 12 months from the valuation date
3. Life- Non-participating Policies		
Targeted to mass market	1st year: 11% to 33% p.a. , 2+: 2.2% p.a (within PPT) 0% p.a (after PPT)	Maintenance :Rs 772 in year 1, 732 in year 2, 688 in year 3, 644 in year 4, 626 in year 5, 677 in year 6 and inflating by 4.25% every year thereafter. Year represents a period of 12 months from the valuation date
Targeted to Rural Market	2nd year+: Nil	Maintenance 41p.a. (Increasing with inflation at 5% p.a. at the start of each calendar year)
Micro Insurance type		
3. Annuities- Participating policies	NA	NA
4. Annuities – Non-participating policies	NA	Maintenance :Rs 772 in year 1, 732 in year 2, 688 in year 3, 644 in year 4, 626 in year 5, 677 in year 6 and inflating by 4.25% every year thereafter. Year represents a period of 12 months from the valuation date
5. Annuities- Individual Pension Plan	NA	NA
6. Unit Linked		
Unit Linked (Non Pension -- Normal Underwriting)	Regular Premium 1st year:3.3% to 22% p.a. , 2+: 2.2% p.a (within PPT) 0% p.a (after PPT)	Maintenance :Rs 772 in year 1, 732 in year 2, 688 in year 3, 644 in year 4, 626 in year 5, 677 in year 6 and inflating by 4.25% every year thereafter. Year represents a period of 12 months from the valuation date Investment expense (% of Unit Fund) : Varies from 0.3% p.a. to 0.425% p.a.
Unit Linked (Non Pension -- Simplified Underwriting)	1 st year: 11% p.a. , 2+: 2.2% p.a (within PPT) 0% p.a (after PPT)	Maintenance :Rs 772 in year 1, 732 in year 2, 688 in year 3, 644 in year 4, 626 in year 5, 677 in year 6 and inflating by 4.25% every year thereafter. Year represents a period of 12 months from the valuation date Investment expense (% of Unit Fund) : Varies from 0.3% p.a. to 0.425% p.a.
Unit Linked (Pension)	Regular Premium 1st year :11% p.a. 2+: 2.2% p.a (within PPT) 0% p.a (after PPT)	Maintenance :Rs 772 in year 1, 732 in year 2, 688 in year 3, 644 in year 4, 626 in year 5, 677 in year 6 and inflating by 4.25% every year thereafter. Year represents a period of 12 months from the valuation date Investment expense (% of Unit Fund) : Varies from 0.3% p.a. to 0.425% p.a.
7 Health Insurance	1 st year+: 22% 2+: 2.2% p.a (within PPT) 0% p.a (after PPT)	Maintenance :Rs 772 in year 1, 732 in year 2, 688 in year 3, 644 in year 4, 626 in year 5, 677 in year 6 and inflating by 4.25% every year thereafter. Year represents a period of 12 months from the valuation date
ii) Group Business **8** Targeted to mass market Social Sector Micro Insurance	2nd year+: 0.25% p.a 1st year: 18% p.a. 2nd year :0%	Maintenance:Varies betweeen 0 p.a. to 9.70 p.a. (Increasing with inflation at 5% p.a. at the start of each calendar year)

4)	Bonus Rates :	The declared bonus rates are as follows: For Par Life :1.5% to 3.25% p.a. on Sum Assured plus vested bonus For Par Pension:For policy benefit term to age 60- 2.75% of Guaranteed Retirement Amount. For policy benefit term of 10yrs - 2% of Guaranteed Retirement Amount. The furture bonus rates are discretionary in nature.
5)	Policyholders Reasonable Expectations	The illustrated bonus rate are in the range of 1.5% to 4.15% of (Sum Assured plus Vested Bonus,Guaranteed Retirement Amount) based on benefit illustration of the product at illustrated gross investment return of 6% & 10% p.a. respectively.
6)	Taxation and Shareholder Transfers	No tax is assumed for Non par products. However 14.1625% p.a. is assumed while valuing the reserves for participating products. Share holder tax rate is 14.1625% p.a.
7)	Basis of provisions for Incurred But Not Reported (IBNR)	Expected cost of claims for 'n' months, where 'n' is based on the actual experience by product line.
8)	Change in Valuation Methods or Bases	
	i. Individuals Assurances	
1.	Interest	No
2.	Expenses	Yes
3.	Inflation	Yes
	ii. Annuities	
1.	Interest	No
a.	Annuity in payment	No
b.	Annuity during deferred period	No
c.	Pension : All Plans	No
2.	Expenses	Yes
3.	Inflation	Yes
	iii. Unit Linked	
1.	Interest	No
2.	Expenses	Yes
3.	Inflation	Yes
	iv. Health	
1.	Interest	No
2.	Expenses	Yes
3.	Inflation	Yes
	v. Group	
1.	Interest	No
2.	Expenses	No
3.	Inflation	Yes

Note : Indian Assured Lives(IAM) Table -- Indian Assured Lives Mortality (2006-08) (Modified) Ult Table.