

L-42- Valuation Basis (Life Insurance) – March 2018

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. Ashima Life Next system is being used for maintaining data for Group business.
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	6.20% p.a. for the first five years and 5.40% p.a. thereafter for Inforce policies
1. Life- Participating policies	6.75% p.a. for the first five years and 6.00% p.a. thereafter for reduced paidup policies
2. Pension- Participating policies	6.20% p.a. for the first five years and 5.40% p.a. thereafter for Inforce policies
3. Life- Non-participating Policies	6.75% p.a. for the first five years and 6.00% p.a. thereafter for reduced paidup policies
Targeted to mass market	6.20% p.a. for the first five years and 5.40% p.a. thereafter for Inforce policies
Targeted to Rural Market	6.75% p.a. for the first five years and 6.00% p.a. thereafter for reduced paidup and single pay policies
Micro Insurance type	4.9% p.a.
4. Annuities- Participating policies	7% p.a.
5. Annuities – Non-participating policies	NA
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	6.20% p.a. for the first five years and 5.40% p.a. thereafter
ii. Group Business Targeted to mass market	6.75% p.a. for the first five years and 6.00% p.a. thereafter
For Social Sector	6.75% p.a. for the first five years and 6.00% 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	62% to 78% of IALM table
1. Life- Participating policies	62% of IAM Table
2. Pension- Participating policies	Depends on the target market
3. Life- Non-participating Policies	28% to 134% of IALM table
Targeted to mass market	341% of IAM Table
Targeted to Rural Market	NA
4. Annuities- Participating policies	NA
5. Annuities – Non-participating policies	NA
6. Annuities- Individual Pension Plan	NA
7. Unit Linked	62% to 93% of IALM table
8. Health Insurance	
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 615 and inflating by 4.25% every year thereafter.
2.	Pension- Participating policies	1st year: 22% p.a. , 2+: 2.2% p.a (within PPT) 0% p.a (after PPT)	Maintenance :Rs 615 and inflating by 4.25% every year thereafter.
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 615 and inflating by 4.25% every year thereafter.
	Targeted to Rural Market	2nd year+: Nil	Maintenance 41 p.a. and inflating by 4.25% every year thereafter.
	Micro Insurance type		
3.	Annuities- Participating policies	NA	NA
4.	Annuities – Non-participating policies	NA	Maintenance :Rs 615 and inflating by 4.25% every year thereafter.
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 615 and inflating by 4.25% every year thereafter.
	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 615 and inflating by 4.25% every year thereafter.
	Unit Linked (Pension)	Regular Premium 1st year :11% p.a. 2+: 2.2% p.a (within PPT) 0% p.a (after PPT)	Maintenance :Rs 615 and inflating by 4.25% every year thereafter.
7	Health Insurance	1 st year+: 22% 2+: 2.2% p.a (within PPT) 0% p.a (after PPT)	Maintenance :Rs 615 and inflating by 4.25% every year thereafter.
8	ii) Group Business	2nd year+: 0.275% p.a	
	Targeted to mass market		
	Social Sector	1st year: 18% p.a. 2nd year :0%	Maintenance:Varies between 0 p.a. to 10.85 p.a. and inflating by 4.25% every year thereafter.
	Micro Insurance		

4)	Bonus Rates :	The declared bonus rates are as follows: For Par Life :1.25% to 5.15% 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 future bonus rates are discretionary in nature.
5)	Policyholders Reasonable Expectations	The illustrated bonus rate are in the range of 1.25% to 5.15% of (Sum Assured plus Vested Bonus,Guaranteed Retirement Amount) based on benefit illustration of the product at illustrated gross investment return of 4% & 8% p.a. respectively.
6)	Taxation and Shareholder Transfers	No tax is assumed for Non par products. However 14.42% p.a. is assumed while valuing the reserves for participating products.
7)	Basis of provisions for Incurred But Not Reported (IBNR)	Share holder tax rate is 14.42% p.a.
8)	Change in Valuation Methods or Bases	Expected cost of claims for 'n' months, where 'n' is based on the actual experience by product line.
	i. Individuals Assurances	
1.	Interest	No
2.	Expenses	No
3.	Inflation	No
	ii. Annuities	
1.	Interest	No
a.	Annuity in payment	No
b.	Annuity during deferred period	No
c.	Pension : All Plans	No
2.	Expenses	No
3.	Inflation	No
	iii. Unit Linked	
1.	Interest	No
2.	Expenses	No
3.	Inflation	No
	iv. Health	
1.	Interest	No
2.	Expenses	No
3.	Inflation	No
	v. Group	
1.	Interest	No
2.	Expenses	No
3.	Inflation	No
Note : Indian Assured Lives(IAM) Table -- Indian Assured Lives Mortality (2006-08) (Modified) Ult Table.		