

L-42: Valuation Basis (Life Insurance) –June 2019

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	
1.	Life- Participating policies	6.20% p.a. for the first five years and 5.40% p.a. thereafter for Inforce 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 6.75% p.a. for the first five years and 6.00% p.a. thereafter for reduced paidup policies
3.	Life- Non-participating Policies	6.20% p.a. for the first five years and 5.40% p.a. thereafter for Inforce policies 6.75% p.a. for the first five years and 6.00% p.a. thereafter for reduced paidup and single pay policies
	Targeted to mass market	4.9% p.a.
	Targeted to Rural Market	NA
	Micro Insurance type	NA
4.	Annuities- Participating policies	NA
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	
1.	Life- Participating policies	62% to 86% of IALM table
2.	Pension- Participating policies	62% of IAM Table
3.	Life- Non-participating Policies	Depends on the target market
	Targeted to mass market	34% to 151% of IALM table
	Targeted to Rural Market	375% of IAM Table
4.	Annuities- Participating policies	NA
5.	Annuities – Non-participating policies	NA
6.	Annuities- Individual Pension Plan	NA
7.	Unit Linked	68% to 103% 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	209% of IAM Table

3)	Expense :		
	i) Individual Business	Premium %	Per Policy (INR)
1.	Life- Participating policies	1st year: 11% to 22% p.a. , 2+: 1.925% p.a (within PPT) 0% p.a (after PPT)	Maintenance :Rs 658 and inflating by 4.25% every year thereafter.
2.	Pension- Participating policies	1st year: 22% p.a. , 2+: 1.925% p.a (within PPT) 0% p.a (after PPT)	Maintenance :Rs 658 and inflating by 4.25% every year thereafter.
3.	Life- Non-participating Policies	1st year: 11% to 33% p.a. , 2+: 1.925% p.a (within PPT) 0% p.a (after PPT)	Maintenance :Rs 658 and inflating by 4.25% every year thereafter.
	Targeted to mass market	2nd year+: Nil	Maintenance 46 p.a. and inflating by 4.25% every year thereafter.
	Targeted to Rural Market		
	Micro Insurance type		
3.	Annuities- Participating policies	NA	NA
4.	Annuities – Non-participating policies	NA	Maintenance :Rs 658 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+: 1.925% p.a (within PPT) 0% p.a (after PPT)	Maintenance :Rs 658 and inflating by 4.25% every year thereafter.
	Unit Linked (Non Pension – Simplified Underwriting)	1st year: 11% p.a. , 2+: 1.925% p.a (within PPT) 0% p.a (after PPT)	Maintenance :Rs 658 and inflating by 4.25% every year thereafter.
	Unit Linked (Pension)	Regular Premium 1st year :11% p.a. , 2+: 1.925% p.a (within PPT) 0% p.a (after PPT)	Maintenance :Rs 658 and inflating by 4.25% every year thereafter.
7	Health Insurance	1st year+: 22% 2+: 1.925% p.a (within PPT) 0% p.a (after PPT)	Maintenance :Rs 658 and inflating by 4.25% every year thereafter.
	ii) Group Business		
	Targeted to mass market	2nd year+: 0.275% p.a	
8	Social Sector	1st year: 18% p.a. 2nd year :0%	Maintenance:Varies between 0 p.a. to 11.59 p.a. and inflating by 4.25% every year thereafter.
	Micro Insurance		