

L-42- Valuation Basis (Life Insurance) –September 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 2. Pension- Participating policies 3. Life- Non-participating Policies 4. Annuities- Participating policies 5. Annuities – Non-participating policies 6. Annuities- Individual Pension Plan 7. Unit Linked 8. Health Insurance	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 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 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 4.9% p.a. NA NA NA 6.20% p.a. for the first five years and 5.40% p.a. thereafter 6.20% p.a. for the first five years and 5.40% p.a. thereafter 6.75% p.a. for the first five years and 6.00% p.a. thereafter 6.75% p.a. for the first five years and 6.00% p.a. thereafter 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 2. Pension- Participating policies 3. Life- Non-participating Policies 4. Annuities- Participating policies 5. Annuities – Non-participating policies 6. Annuities- Individual Pension Plan 7. Unit Linked 8. Health Insurance ii. Group Business	62% to 86% of IALM table 62% of IAM Table Depends on the target market 34% to 151% of IALM table 375% of IAM Table NA NA NA 68% to 103% of IALM table Factor based on the type of financial institution Factor based on the type of financial institution 209% of IAM Table

3) Expense :	Premium %	Per Policy (INR)
i) Individual Business		
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 667 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 667 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 667 and inflating by 4.25% every year thereafter.
Targeted to mass market		
Targeted to Rural Market	2nd year+: Nil	Maintenance 46 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 667 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 667 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 667 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 667 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 667 and inflating by 4.25% every year thereafter.
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 11.74 p.a. and inflating by 4.25% every year thereafter.
Micro Insurance		