L-42- Valuation Basis (Life Insurance) –December 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**		
		Targeted to mass market	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 Rural Market	4.9% p.a.
		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 676 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 676 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+: 1.925% p.a (within PPT) 0% p.a (after PPT)	Maintenance :Rs 676 and inflating by 4.25% every year thereafter.
	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 676 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 676 and inflating by 4.25% every year thereafter.
	Unit Linked (Non Pension -- Simplified Underwriting)	1 st year: 11% p.a. , 2+: 1.925% p.a (within PPT) 0% p.a (after PPT)	Maintenance :Rs 676 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 676 and inflating by 4.25% every year thereafter.
7	**Health Insurance**	1 st year+: 22% 2+: 1.925% p.a (within PPT) 0% p.a (after PPT)	Maintenance :Rs 676 and inflating by 4.25% every year thereafter.
8	**ii) Group Business** Targeted to mass market Social Sector Micro Insurance	2nd year+: 0.275% p.a 1st year: 18% p.a. 2nd year :0%	Maintenance:Varies betweeen 0 p.a. to 11.89 p.a. and inflating by 4.25% every year thereafter.