

L-42- Valuation Basis (Life Insurance) –March 2020

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 6.60% p.a. for the first five years and 5.90% 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 6.60% p.a. for the first five years and 5.90% p.a. thereafter for reduced paidup policies
3.	Life- Non-participating Policies	
	Targeted to mass market	6.10% p.a. for the first five years and 5.40% p.a. thereafter for Inforce policies 6.35% p.a. for the first five years and 5.65% p.a. thereafter for reduced paidup policies 6.75% p.a. for the first five years and 6.00% p.a. thereafter for 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	6.10% p.a. for the first five years and 5.40% p.a. thereafter
8.	Health Insurance	6.10% 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	59% to 76% of IALM table
2.	Pension- Participating policies	59% 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	54% 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		Per Policy (INR)
	Premium %	
1. Life- Participating policies	1st year: 11% to 22% p.a. , 2+: 1.54% p.a (within PPT) 0% p.a (after PPT)	Maintenance :Rs 649 and inflating by 4.25% every year thereafter for inforce policies Rs 490 and inflating by 4.25% every year thereafter for reduced paid up policies
2. Pension- Participating policies	1st year: 22% p.a. , 2+: 1.54% p.a (within PPT) 0% p.a (after PPT)	Maintenance :Rs 649 and inflating by 4.25% every year thereafter.Rs 490 and inflating by 4.25% every year thereafter for reduced paid up policies
3. Life- Non-participating Policies	1st year: 11% to 33% p.a. , 2+: 1.925% p.a (within PPT) 0% p.a (after PPT) 2nd year+: Nil	
		Maintenance :Rs 649 and inflating by 4.25% every year thereafter.Rs 490 and inflating by 4.25% every year thereafter for reduced paid up policies
		Maintenance 46 p.a. and inflating by 4.25% every year thereafter.
	Targeted to mass market	
	Targeted to Rural Market	
	Micro Insurance type	
3. Annuities- Participating policies	NA	NA
4. Annuities – Non-participating policies	NA	Maintenance :Rs 649 and inflating by 4.25% every year thereafter.
5. Annuities- Individual Pension Plan	NA	NA
6. Unit Linked		

	Unit Linked (Non Pension – Normal Underwriting)	<u>Regular Premium</u> 1st year:1.1% to 22% p.a. . 2+: 1.54% p.a (within PPT) 0% p.a (after PPT)	Maintenance :Rs 649 and inflating by 4.25% every year thereafter.
	Unit Linked (Non Pension – Simplified Underwriting)	1 st year: 11% p.a. . 2+: 1.54% p.a (within PPT) 0% p.a (after PPT)	Maintenance :Rs 649 and inflating by 4.25% every year thereafter.
	Unit Linked (Pension)	<u>Regular Premium</u> 1st year :11% p.a. 2+: 1.54% p.a (within PPT) 0% p.a (after PPT)	Maintenance :Rs 649 and inflating by 4.25% every year thereafter.
7	Health Insurance	1 st year+: 22% 2+: 1.54% p.a (within PPT) 0% p.a (after PPT)	Maintenance :Rs 649 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: 22% p.a. 2nd year :0%	Maintenance:Varies between 0 p.a. to 11.44 p.a. and inflating by 4.25% every year thereafter.

		The declared bonus rates are as follows: For Par Life :1.25% to 7.00% p.a. on Sum Assured plus vested bonus For Par Pension:For policy benefit term to age 60- 3.25% of Guaranteed Retirement Amount. For policy benefit term of 10yrs - 4% of Guaranteed Retirement Amount. The future bonus rates are discretionary in nature.One-time special reversionary bonus of 11% of the Guaranteed Retirement Amount
4)	Bonus Rates :	
5)	Policyholders Reasonable Expectations	The illustrated bonus rate are in the range of 1.25% to 7.00% 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 14.56% p.a. is assumed while valuing the reserves for participating products. Share holder tax rate is 14.56% p.a.
7)	Basis of provisions for Incurred But Not Reported (IBNR)	Chain ladder approach
8)	Change in Valuation Methods or Bases	
	i. Individuals Assurances	
1.	Interest	Yes
2.	Expenses	Yes
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	Yes
2.	Expenses	Yes
3.	Inflation	No
	iv. Health	
1.	Interest	Yes
2.	Expenses	Yes
3.	Inflation	No
	v. Group	
1.	Interest	No
2.	Expenses	No
3.	Inflation	No
Note : Indian Assured Lives(IAM) Table -- Indian Assured Lives Mortality (2012-14) (Modified) Ult Table.		