L-42- Valuation Basis (Life Insurance) - Dec 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	**Premium %**	**Per Policy (INR)**
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 676 and inflating by 4.25% every year thereafter for inforce policies Rs 510 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 676 and inflating by 4.25% every year thereafter for inforce policies Rs 510 and inflating by 4.25% every year thereafter for reduced paid up policies
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 for inforce policies Rs 510 and inflating by 4.25% every year thereafter for reduced paid up policies
	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	NA
5.	**Annuities- Individual Pension Plan**	NA	NA
6.	**Unit Linked**		
	Unit Linked (Non Pension -- Normal Underwriting)	Regular Premium 1st year:1.1% to 22% p.a. , 2+: 1.54% 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+: 1.54% 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+: 1.54% 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+: 1.54% 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: 22% p.a. 2nd year :0%	Maintenance:Varies betweeen 0 p.a. to 11.79 p.a. and inflating by 4.25% every year thereafter.

4)	**Bonus Rates :**	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 furture bonus rates are discretionary in nature.One-time special reversionary bonus of 11% of the Guaranteed Retirement Amount
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**	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 (2012-14) (Modified) Ult Table.