

I-42-Valuation Basis (Life Insurance) - Mar 2021

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	
2.	Pension- Participating policies	6.20% p.a. for the first five years and 5.40% p.a. thereafter	
3.	Life- Non-participating Policies	6.30% p.a. for the first five years and 5.60% p.a. thereafter	
	Targeted to mass market	6.30% p.a. for the first five years and 5.60% p.a. thereafter	
	Targeted to Rural Market	6.30% p.a. for the first five years and 5.60% p.a. thereafter	
	Micro Insurance type	NA	
4.	Annuities- Participating policies	NA	
5.	Annuities – Non-participating policies	NA	
6.	Annuities- Individual Pension Plan	NA	
7.	Unit Linked	6.30% p.a. for the first five years and 5.60% p.a. thereafter	
8.	Health Insurance	6.30% p.a. for the first five years and 5.60% p.a. thereafter	
	ii. Group Business	6.95% p.a. for the first five years and 6.20% p.a. thereafter	
	Targeted to mass market	6.95% p.a. for the first five years and 6.20% p.a. thereafter	
	For Social Sector	6.95% p.a. for the first five years and 6.20% p.a. thereafter	
	Micro Insurance	NA	
2) Mortality Rates : the mortality rates used for each segment (Please see note below for definition of IALM table)			
i. Individual Business			
1.	Life- Participating policies	57% to 78% of IALM table	
2.	Pension- Participating policies	57% of IALM Table	
3.	Life- Non-participating Policies	Depends on the target market	
	Targeted to mass market	30% to 155% of IALM table	
	Targeted to Rural Market	385% of IALM Table	
4.	Annuities- Participating policies	NA	
5.	Annuities – Non-participating policies	NA	
6.	Annuities- Individual Pension Plan	NA	
7.	Unit Linked	52% to 106% 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	215% of IALM Table	
3) Expense :			
i) Individual Business			
		Premium %	Per Policy (INR)
1.	Life- Participating policies	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	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
3.	Life-Non-participating Policies		
	Targeted to mass market	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
	Targeted to Rural Market	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 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)	1.54% p.a (within PPT) 0% p.a (after PPT)	Maintenance -Rs 649 and inflating by 4.25% every year thereafter.
	Unit Linked (Pension)	Regular Premium 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	1.54% p.a (within PPT) 0% p.a (after PPT)	Maintenance -Rs 649 and inflating by 4.25% every year thereafter.
	ii) Group Business		
	Targeted to mass market	0.275% p.a	
8	Social Sector		Maintenance-Varies between 0 p.a. to 11.44 p.a. and inflating by 4.25% every year thereafter.
	Micro Insurance	0%	

		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. Terminal Bonus - 10% of Sum Assured. The future bonus rates are discretionary in nature.	
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		Yes	
2. Expenses		Yes	
3. Inflation		No	
Note : Indian Assured Mortality Lives (IALM) Table --Indian Assured Lives Mortality (2012-14) (Modified) UIT Table.			