

**L-42- Valuation Basis (Life Insurance - Individual )**  
**Chapter on Valuation Basis**

**a. How the policy data needed for valuation is accessed ?**

The required data for valuation in respect of each policy is extracted Branch-wise from policy masters maintained at each Divisional Office. The data extracted in respect of individual policies is checked for consistency and validated by a software developed for this purpose. The validated data is consolidated at Divisional Office level itself and further consolidated at Zonal Office level for offices under its jurisdiction. All such files are sent to Corporate Office for further processing.

**b. How the valuation bases are supplied to the system ?**

Once the valuation parameters are decided they are keyed in to the system to create explicit parameter file, in a form compatible to the system. The program for calculating reserves takes input from two files, viz. parameter file and policy data file.

<b>I) Interest : Maximum and minimum interest rate taken for each segment</b>	<b>2013-14: Qtr ending 31.12.2013</b>	
	<b>Max</b>	<b>Min</b>
1. Life- Participating policies	8.50% p.a.	6.90% p.a.
2. Life- Non-participating Policies	7.00% p.a.	6.90% p.a.
3. Annuities- Participating policies	8.80% p.a.	7.10% p.a.
4. Annuities – Non-participating policies	7.10% p.a.	7.10% p.a.
5. Annuities- Individual Pension Plan	7.75% p.a.	7.75% p.a.
6. Unit Linked	6.90% p.a.	6.90% p.a.
7. Linked Health	6.90% p.a.	6.90% p.a.
8. Non-linked Health	6.90% p.a.	6.90% p.a.
<b>II) Mortality Rates : the mortality rates used for each segment</b>	<b>2013-14: Qtr ending 31.12.2013</b>	
1. Life- Participating policies	135% of IALM (2006-08) Ult.	
2. Life- Non-participating Policies	135% of IALM (2006-08) Ult.	
3. Annuities- Participating policies		
During Deferment	110% of IALM (2006-08) Ult.	
After Vesting	LIC a (1996-98) Ult. rated down by 1 year	
4. Annuities – Non-participating policies		
During Deferment	110% of IALM (2006-08) Ult.	
After Vesting	LIC a (1996-98) Ult. rated down by 1 year	
5. Annuities- Individual Pension Plan		
During Deferment	110% of IALM (2006-08) Ult.	
After Vesting	LIC a (1996-98) Ult. rated down by 1 year	
6. Non-linked Health (Mortality Rate)	135% of IALM (2006-08) Ult.	
(Morbidity Rates)	HCB & MSB: 135% of Swiss Re Incidence Rates	
7. Unit Linked		
Under Plans 191,193, 194 & 197	135% of IALM (2006-08) Ult.	
All linked plans except above	135% of IALM (2006-08) Ult.	
8. Linked Health (Mortality Rate)	NIL	
(Morbidity Rates)	HCB & MSB: 135% of Munich Re Incidence Rates	

III) Expense :	2013-14: Qtr ending 31.12.2013	
1. Life- Participating policies		
Premium Related		7.75% of premium
Policy Related		
For premium paying		₹ 420/- per policy
For reduced & fully paid-up		₹210/- per policy
2. Life- Non-participating Policies		
Premium Related		
For Term Assurance Plans		(12.20% for Jeevan Mangal & 18.50% for others) of premium
For other Plans		7.75% of premium, 29.50% of premium NB related for Bima Account I & II
Policy Related		
For premium paying		(₹ 150/- for Jeevan Mangal & ₹ 420/- for others) per policy
For reduced & fully paid-up		(₹ 75/- for Jeevan mangal & ₹210/- for others) per policy
3. Annuities- Participating policies		
Annuities in payment		₹ 110/- per policy p.a. & ₹ 120 for claim payments
During deferment		3.90% of premium, ₹ 420/- per policy for premium paying and ₹ 210/- per policy for reduced paid up, fully paid up & single premium policies
4. Annuities – Non-participating policies		
Annuities in payment		₹ 110/- per policy p.a. & ₹ 120 for claim payments
During deferment		3.90% of premium, ₹ 420/- per policy for premium paying and ₹ 210/- per policy for reduced paid up, fully paid up & single premium policies
5. Annuities- Individual Pension Plan		
Annuities in payment		₹ 110/- per policy p.a. & ₹ 120 for claim payments
During deferment		5% of premium for endowment & 3.90% of premium for other options. ₹ 420/- per policy for premium paying and ₹ 210/- per policy for reduced paid up, fully paid up and single premium.
6. Non-linked Health		
Premium related		
New Business		80.00% of premium
Renewal		19.50% of premium
Policy related		
Renewal		₹ 610/- per policy & ₹ 305/- for each life other than principal insured
7. Unit Linked		
Premium Related		1.5% to 4.0% of premium depending on plan, 7% & 10.5% NB related for plans 802 & 811 respectively
Policy Related		
For inforce policies		₹ 540/- per policy
For reduced paid up and SP policies		₹ 270/- per policy
NB policy related		₹ 1250 per policy for plans 802 & 811

8. Linked Health		
Premium related		
	New Business	35.00% of premium
	Renewal	6.25% of premium
Policy related		
	For premium paying	₹ 650/- per policy
	For reduced paid-up & SP policies	₹ 325/- per policy
**Per policy inflation rate is 3% p.a. for all plans		
IV) Bonus Rates :		
		In respect of with profit policies, wherever applicable, future reversionary bonuses have been valued at the current declared level as at 31.03.2013 - bonus rates valued allow for tax and Government Share of surplus as applicable on the date of valuation i.e. as at 31st March 2013.
V) Policyholders Reasonable Expectations :		Future bonuses valued at the current declared rates.
VI) Taxation and Shareholder Transfers		<b>2013-14: Qtr ending 31.12.2013</b>
1. Life- Participating policies		13.5187% & 5%
2. Life- Non-participating Policies		-----
3. Annuities- Participating policies		13.5187% & 5%
4. Annuities – Non-participating policies		-----
5. Annuities- Individual Pension Plan		Exempted from tax & 5%
6. Unit Linked		-----
7. Linked Health		-----
8. Non-linked Health		-----
VII) Basis of provisions for Incurred But Not Reported (IBNR)		-----
VIII) Change in Valuation Methods or Bases		<b>2013-14: Qtr ending 31.12.2013</b>
1. Individuals Assurances		
A. Life Participating Policies		
a. Interest	No Change	No Change
b. Expenses		
	Premium Related	Increase by 150 basis points
	Policy Related	
	For premium paying	Increased by ₹ 20/-
	For reduced & fully paid-up	Increased by ₹ 10/-
c. Inflation		No Change
B. Life- Non-Participating policies		
a. Interest	Increase by 10 basis points	No Change
b. Expenses		
	Premium Related	
	For Term Assurance Plans	Increase by 120 basis points for Jeevan Mangal & 1225 basis points for others
	For other Plans	Increase by 150 basis points
	Policy Related	
	For premium paying	Increased by ₹ 10/- for Jeevan Mangal & ₹ 20/- for others
	For reduced & fully paid-up	Increased by ₹ 5/- for Jeevan Mangal & ₹ 10/- for others
c. Inflation		No Change
2. Annuities & Pension		
A. Participating Policies		
a. Interest	Decrease by 30 basis points	No change

b. Expenses		
Annuities in payment		Increase by ₹ 30 for per policy & no change in claim payment expense
During deferment		Premium related - Increase by 165 basis points Policy related - Increase by ₹20/- for premium paying & ₹ 10/- for reduced paid-up, fully paid-up & single premium policies
c. Inflation		No Change
<b>B. Non-Participating Policies</b>		
a. Interest		No change   No change
b. Expenses		
Annuities in payment		Increase by ₹ 30/- for per policy & no change in claim payment expense
During deferment		Premium related - Increase by 165 basis points Policy related - Increase by ₹20/- for premium paying & ₹ 10/- for reduced paid-up, fully paid-up & single premium policies
c. Inflation		No change
<b>C. Individual Pension Plan</b>		
a. Interest		Increase by 15 basis points   Increase by 15 basis points
b. Expenses		
Annuities in payment		Increase by ₹ 30/- for per policy & no change in claim payment expense
During deferment		Premium related - No change for endowment option & increase by 165 basis points for other options Policy related - Increase by ₹ 20/- for premium paying & ₹ 10/- for reduced paid-up, fully paid-up & single premium policies
c. Inflation		No change
<b>3. Non-linked Health</b>		
a. Interest		No change   No change
b. Expenses		
Premium related		
New Business		No change
Renewal		Increase by 1325 basis points
Policy related		
For premium paying		Increase by ₹ 20
For reduced paid-up & SP policies		Increase by ₹ 10
c. Inflation		No change
<b>4. Unit Linked</b>		
a. Interest		No change   No change
b. Expenses		
Premium Related		No Change
Policy Related		
For inforce policies		Increase of ₹ 10/-
For reduced paid up and SP policies		Increase of ₹ 5/-
NB policy related		Increase by ₹ 50 for plans 802
c. Inflation		No Change
<b>5. Linked Health</b>		
a. Interest		No change   No change
b. Expenses		
Premium related		
New Business		No Change
Renewal		No Change
Policy related		
For premium paying		Increase of ₹ 60/- per policy
For reduced paid-up & SP policies		Increase of ₹ 30/- per policy
c. Inflation		No Change