

**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.

I) Interest : Maximum and minimum interest rate taken for each segment	2013-14: Qtr ending 31.03.2014	
	Max	Min
1. Life- Participating policies	8.50% p.a.	6.90% p.a.
2. Life- Non-participating Policies	7.00% p.a.	7.00% p.a.
3. Annuities- Participating policies	8.60% p.a.	6.90% 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	7.00% p.a.	7.00% p.a.
7. Linked Health	7.00% p.a.	7.00% p.a.
8. Non-linked Health	6.50% p.a.	6.50% p.a.
II) Mortality Rates : the mortality rates used for each segment	2013-14: Qtr ending 31.03.2014	
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 2 year	
4. Annuities – Non-participating policies		
During Deferment	110% of IALM (2006-08) Ult.	
After Vesting	LIC a (1996-98) Ult. rated down by 2 year	
5. Annuities- Individual Pension Plan		
During Deferment	110% of IALM (2006-08) Ult.	
After Vesting	LIC a (1996-98) Ult. rated down by 2 year	
6. Non-linked Health (Mortality Rate)	110% of IALM (2006-08) Ult.	
(Morbidity Rates)	HCB & MSB: 135% of Swiss Re Incidence Rates	
7. Unit Linked	135% of IALM (2006-08) Ult.	

8. Linked Health (Mortality Rate)	110% of IALM (2006-08) Ult.
(Morbidity Rates)	HCB & MSB: 135% of Munich Re Incidence Rates
<b>III) Expense :</b>	<b>2013-14: Qtr ending 31.03.2014</b>
1. Life- Participating policies	
Premium Related	
NB	52% for plans 814,815,816,817,820,821 17% for micro plans 182,810 55% for others
Renewal	7.5% for plans 807,814,815,816,817,820,821 10% for micro plans 182,810 8% for others
Policy Related	
For micro insurance plans	₹ 420/- per policy for premium paying ₹ 210/- per policy for paid-up and fully paid-up policies
For other plans	₹ 490/- per policy for premium paying ₹ 245/- per policy for paid-up and fully paid-up policies
2. Life- Non-participating Policies	
Premium Related	
NB	53% for plans 822,823 14% for micro plan 819 15% for micro plan 198 29.50% for Bima Account plans (805,806) 55% for others
Renewal	7.50% for plans 822,823 11% for micro plan 819 12.40% for micro plan 198 18.50% for Term Assurance Plans 43,52,153,164,177,190 8.00% for Bima Account plans (805,806) 8.00% for others
Policy Related	
For micro insurance plans (198,819)	(₹ 150/- per policy for premium paying ₹ 75/- per policy for Paid-up & fully paid-up policies
For other plans including Bima Account I & II	(₹ 490/- per policy for premium paying ₹ 245/- per policy for Paid-up & fully paid-up policies
3. Annuities- Participating policies	
Annuities in payment	₹ 120/- per policy p.a. & ₹ 120/- for claim payments
During deferment	
Premium related	4.00% of the premium
Policy related	₹ 490/- per policy for premium paying and ₹ 245/- per policy for reduced paid up, fully paid up & single premium policies

4. Annuities – Non-participating policies		
Annuities in payment		₹ 120/- per policy p.a. & ₹ 120 for claim payments
During deferment		
Premium related	4.00% of the premium	
Policy related	₹ 490/- per policy for premium paying and ₹ 245/- per policy for reduced paid up, fully paid up & single premium policies	
5. Annuities- Individual Pension Plan		
Annuities in payment		₹ 120/- per policy p.a. & ₹ 120 for claim payments
During deferment		
Premium Related - NB	15% of the premium	
Premium related - Renewal	2.5% of the premium for plans 812 & 818 3.9% of the premium for other plans except Endowment option where it is 5%	
Policy related	₹ 490/- per policy for premium paying and ₹ 245/- per policy for reduced paid up, fully paid up & single premium policies	
6. Non-linked Health		
Premium related		
New Business	80% of premium for plan 903 & 50% for plan 904	
Renewal	19.50% of premium for plan 903 & 7% for plan 904	
Policy related		
Renewal	₹ 660/- p.a. for Principal Insured & ₹ 330/- p.a. for others	
7. Unit Linked		
Premium Related	1.5% to 4.0% of premium depending on plan, 8% & 15% NB related for plans 802 & 811 respectively	
Policy Related		
For inforce policies	₹ 650/- per policy	
For reduced paid up and SP policies	₹ 325/- per policy	
NB policy related	₹ 1925 per policy for plan 802 & ₹ 2050 for plan 811	
8. Linked Health		
Premium related		
New Business	35.00% of premium	
Renewal	6.25% of premium	
Policy related		
For premium paying (including claim related expenses)	₹ 720/- per policy	
For reduced paid-up & SP policies (including claim related expenses)	₹ 360/- per policy	
**Per policy inflation rate is 3% p.a. for all plans		
<b>IV) Bonus Rates :</b>		In respect of with profit policies, wherever applicable, future reversionary bonuses have been valued at the current declared level as at 31.03.2014 - bonus rates valued allow for tax and Government Share of surplus as applicable on the date of valuation i.e. as at 31st March 2014.

<b>V) Policyholders Reasonable Expectations :</b>	Future bonuses valued at the current declared rates.	
<b>VI) Taxation and Shareholder Transfers</b>	<b>2013-14: Qtr ending 31.03.2014</b>	
1. Life- Participating policies	14.1625% & 5%	
2. Life- Non-participating Policies	-----	
3. Annuities- Participating policies	14.1625% & 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	-----	
<b>VII) Basis of provisions for Incurred But Not Reported (IBNR)</b>	-----	
<b>VIII) Change in Valuation Methods or Bases</b>	<b>2013-14: Qtr ending 31.03.2014</b>	
<b>1. Individuals Assurances</b>		
<b>A. Life Participating Policies</b>		
a. Interest	No Change	No Change
b. Expenses		
Premium Related		
NB	Not applicable	
Renewal	Decrease by 0.25% for Jeevan Ankur, increase by 2.25% for micro plans & increase by 0.25% for others	
Policy Related		
For premium paying	No change in micro insurance plans & Increase by ₹ 70/- in others	
For reduced & fully paid-up	No change in micro insurance plans & Increase by ₹ 35/- in others	
c. Inflation	No Change	
<b>B. Life- Non-Participating policies</b>		
a. Interest	No change	Increase by 10 basis points
b. Expenses		
Premium Related		
NB	Not applicable	
Renewal	Increase by 0.2% for micro plans, no change in term assurance plans & increase by 0.25% for others	
Policy Related		
For premium paying	No change in micro plans & Increase by ₹ 70/- for other plans	
For reduced & fully paid-up	No change in micro plans & Increase by ₹ 35/- for other plans	
c. Inflation	No Change	
<b>2. Annuities &amp; Pension</b>		
<b>A. Annuities - Participating Policies</b>		
a. Interest	Decrease by 20 basis points	Decrease by 20 basis points

b. Expenses		
Annuities in payment	Increase by ₹ 10 for per policy & no change in claim payment expense	
During deferment	Premium related - Increase by 0.1% Policy related - Increase by ₹ 70/- for premium paying & ₹ 35/- for reduced paid-up, fully paid-up & single premium policies	
c. Inflation		No Change
<b>B. Annuities - Non-Participating Policies</b>		
a. Interest	No change	No change
b. Expenses		
Annuities in payment	Increase by ₹ 10/- for per policy & no change in claim payment expense	
During deferment	Premium related - Increase by 0.1% Policy related - Increase by ₹70/- for premium paying & ₹ 35/- for reduced paid-up, fully paid-up & single premium policies	
c. Inflation		No change
<b>C. Individual Pension Plan</b>		
a. Interest	No change	No change
b. Expenses		
Annuities in payment	Increase by ₹ 10/- for per policy & no change in claim payment expense	
During deferment		
Premium related - NB		Not applicable
Premium related - Renewal		Decrease by 1.4% for New Jeevan Nidhi Plan & no change for others
Policy related		Increase by ₹ 70/- for premium paying & ₹ 35/- for reduced paid-up, fully paid-up & single premium policies
c. Inflation		No change
<b>3. Non-linked Health</b>		
a. Interest	Decrease by 40 basis points	Decrease by 40 basis points
b. Expenses		
Premium related		
New Business		No change
Renewal		No change
Policy related		Increase by ₹ 50 for principal insured and increase by ₹ 25 for others
c. Inflation		No change
<b>4. Unit Linked</b>		
a. Interest	Increase by 10 basis points	Increase by 10 basis points

b. Expenses		
Premium Related	Increase by 1% and 4.5% for NB premium related for plans 802 & 811 respectively & no change for others premium related	
Policy Related		
For inforce policies	Increase of ₹ 110/-	
For reduced paid up and SP policies	Increase of ₹ 55/-	
NB policy related	Increase by ₹ 675 for plan 802 & increase by ₹ 800 for plan 811	
c. Inflation	No Change	
<b>5. Linked Health</b>		
a. Interest	Increase by 10 basis points	Increase by 10 basis points
b. Expenses		
Premium related		
New Business	No Change	
Renewal	No Change	
Policy related		
For premium paying	Increase of ₹ 70/- per policy	
For reduced paid-up & SP policies	Increase of ₹ 35/- per policy	
c. Inflation	No Change	