

L-42- Valuation Basis (Life Insurance - Individual)

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 policy data is extracted from policy masters maintained at branch level. The data is consolidated first at the Divisional level and then at Zonal level. The summary files are created for every zone and sent to Corporate office where they are merged after verification for purity and consistency.

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	2009-2010	
	Max	Min
1. Life- Participating policies	8.5% p.a.	6.8% p.a.
2. Life- Non-participating Policies	6.8% p.a.	6.8% p.a.
3. Annuities- Participating policies	9.00% p.a.	7.00% p.a.
4. Annuities – Non-participating policies	7.00% p.a.	7.00% p.a.
5. Annuities- Individual Pension Plan	7.50% p.a.	7.50% p.a.
6. Unit Linked	6.8% p.a.	6.8% p.a.
7. Health Insurance	6.80% p.a.	6.80% p.a.
II) Mortality Rates : the mortality rates used for each segment		
2009-10		
1. Life- Participating policies	IALM(1994-96) mod. Ult. rated up 2 years	
2. Life- Non-participating Policies	IALM(1994-96) mod. Ult. rated up 2 years	
3. Annuities- Participating policies		
During Deferment	IALM(1994-96) mod. Ult. rated up 1 year	
After Vesting	LIC a (1996-98) Ult. rated down 1 year	
4. Annuities – Non-participating policies		
During Deferment	IALM(1994-96) mod. Ult. rated up 1 year	
After Vesting	LIC a (1996-98) Ult. rated down 1 year	
5. Annuities- Individual Pension Plan		
During Deferment	IALM(1994-96) mod. Ult. rated up 1 year	
After Vesting	LIC a (1996-98) Ult. rated down 1 year	
6. Unit Linked		
Under Plans 191,193 & 194	125% of IALM (1994-96)	
All linked plans except above	IALM(1994-96) mod. Ult. rated up 2 years	
7. Health Insurance (Mortality Rate)	NIL	
(Morbidity Rates)	HCB & MSB: 135% of Munich Re Incidence Rates	

III) Expense :		2009-10
1. Life- Participating policies		
Premium Related		6.25% of premium
Policy Related		
For premium paying		Rs.260/- per policy
For reduced & fully paid-up		Rs.130/- per policy
2. Life- Non-participating Policies		
Premium Related		6.25% of premium
Policy Related		
For premium paying		Rs.260/- per policy
For reduced & fully paid-up		Rs.130/- per policy
3. Annuities- Participating policies		
Annuities in payment		Rs.80/- per policy p.a. & Rs.120 for claim payments
During deferment		2.25% of premium, Rs. 260/- per policy for premium paying and Rs.130/- per policy for reduce paid up, fully paid & single premium policies
4. Annuities – Non-participating policies		
Annuities in payment		Rs.80/- per policy p.a. & Rs.120 for claim payments
During deferment		2.25% of premium, Rs. 260/- per policy for premium paying and Rs.130/- per policy for reduce paid up, fully paid & single premium policies
5. Annuities- Individual Pension Plan		
Annuities in payment		Rs.80/- per policy p.a. & Rs.120 for claim payments
During deferment		5% of premium for endowment & 2.25% of premium for other options. Rs.260 per policy for premium paying and Rs 130 per reduce paid up, fully paid up and single premium.
6. Unit Linked		
Premium Related		1.5% to 4.0% of premium depending on plan
Policy Related		
For inforce plans		Rs.300/- per policy
For reduced paid up and SP plans		Rs.150/- per policy
7. Health Insurance		
Premium related		
New Business		35.00% of premium
Renewal		6.25% of premium
Policy related		
For premium paying		Rs.360/- per policy
For reduced paid-up & SP policies		Rs.180/- per policy.
**Per policy inflation rate is 3% p.a. for all plans		
IV) Bonus Rates :		Valuation yearwise Bonus Rates
V) Policyholders Reasonable Expectations : Future bonuses valued at the current declared rates.		
VI) Taxation and Shareholder Transfers		2009-10
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.
6. Unit Linked		-----
7. Health Insurance		-----

VII) Basis of provisions for Incurred But Not Reported (IBNR)		-----	
VIII) Change in Valuation Methods or Bases		2009-10	
1. Individuals Assurances			
A. Life Participating Policies			
a. Interest		No Change	No Change
b. Expenses			
Premium Related		Decrease by 0.50%	
Policy Related			
For premium paying		Increased by Rs 50/-	
For reduced & fully paid-up		Increased by Rs.25/-	
c. Inflation			
		No Change	
B. Life- Non-Participating policies			
a. Interest		No Change	No Change
b. Expenses			
Premium Related		Decrease by 0.50%	
Policy Related			
For premium paying		Increased by Rs 50/-	
For reduced & fully paid-up		Increased by Rs.25/-	
c. Inflation			
		No Change	
2. Annuities & Pension			
A. Participating Policies			
a. Interest		No Change	No Change
b. Expenses			
Annuities in payment		No Change	
During deferment		Reduce by 1.25% and Increase in policy related expenses by 260/- and 130/- per policy for premium paying term and fully paid up, reduced paidup and SP respectively	
c. Inflation			
		No Change	
B. Non-Participating Policies			
a. Interest		No change	No change
b. Expenses			
Annuities in payment		No change	
During deferment		Reduce by 1.25% and Increase in policy related expenses by 260/- and 130/- per policy for premium paying term and fully paid up, reduced paidup and SP respectively	
c. Inflation			
		No change	
C. Individual Pension Plan			
a. Interest		No change	No change
b. Expenses			
Annuities in payment		No Change	
During deferment		Increase by 0.25% pa for other options; Increase by 260/- and 130/- per policy for premium paying policies and fully paidup, reduced paidup and SP respectively; Decrease by 1 per 1000 NCO per policy	
c. Inflation			
		No Change	

3. Unit Linked		
a. Interest	Decrease by 0.20% p.a.	Increase by 1.30% pa
b. Expenses	Increase by 0.5% pa depending on the plan	
Premium Related		
Policy Related		
For inforce plans	Increase of Rs.60/-	
For reduced paid up and SP plans	Increase of Rs.30/-	
c. Inflation	No Change	
4. Health		
a. Interest	Increase by 0.80% p.a.	
b. Expenses		
Premium related		
New Business	No Change	
Renewal	Decrease by 0.25%	
Policy related		
For premium paying	Increase of Rs.100/- per policy	
For reduced paid-up & SP policies	Increase of Rs.50/- per policy	
c. Inflation	No Change	

