L-42- Valuation Basis (Life Insurance)

A chapter on Valuation basis covering the following minimum criteria should also be displayed on the web-site of the Insurers

1) a. How the policy data needed for valuation is accessed.	Data is extracted for each month by IT. Once data extracted, actuaries perform reasonable checks, and the movements are reconciled with opening and closing data. After the validity, resonableness and completeness checks, the data is used for valuation.

b. How the valuation bases are supplied to the system	
1) Interest : Maximum and minimum interest rate taken for each segment	A single discrete interest rate is assumed for valuation as below:
i. Individual Business	
1. Life- Participating policies	6.10%
2. Pension- Participating policies	6.10%
3. Life- Non-participating policies (Including unitized non-pension policies)	5.85%
4. Pension- Non-participating policies (Including unitized pension policies)	5.85%
5. Annuities- Participating policies	NA
6. Annuities – Non-participating policies	6.10%
7. Annuities- Individual Pension plan	NA
8. Unit Linked	Non Unit Fund: 5.85%
9. Health Insurance	5.85%
ii. Group Business	
1. Annuities – Non-participating policies	6.10%
2. Other Group policies	5.85%

2) Mortality/Morbidity Rates : The mortality/morbidity rates used for each segment	**i. Individual Business**
	1. Life-participating policies (Including unitized\VIP non-pension policies) Shubh Nivesh (V1 & V2) : 130% of IAL 2006-08 Ultimate Others :115% of IAL 2006-08 Ultimate
	2. Pension-participating policies 110% of IAL 2006-08 Ultimate
	3. Life- Non-participating policies (Including unitized\VIP non-pension policies) Saral Shield (V1 & V2): 120% of IAL 2006-08 Ultimate Smart Shield (V1 & V2) : 75% of IAL 2006-08 Ultimate Smart Income Shield : 110% of IAL 2006-08 Ultimate eShield : 85% of IAL 2006-08 Ultimate Flexismart : 120% of IAL 2006-08 Ultimate Others: 115% of IAL 2006-08 Ultimate
	4. Pension- Non-participating policies (Including unitized pension policies) 110% of IAL 2006-08 Ultimate
	5. Annuities – participating policies NA
	6. Annuities – Non-participating policies 90% - 1% pa of Annuitant 1996-98 (adjusted for improvements)
	7. Annuities – Individual Pension Plan NA
	8. Unit Linked 115% of IAL 2006-08 Ultimate
	9. Health Insurance 130% of the Reinsurance rates
	ii. Group Business
	1. Annuities – Non-participating policies 90% - 1% pa of Annuitant 1996-98 (adjusted for improvements)
	2. Unit Linked 115% of IAL 2006-08 Ultimate
	3. Other Group policies Dhanarashi: 130% of IAL 2006-08 Ultimate Grameen Shakti (V1 & V2) & Grameen Super suraksha : 135% of IAL 2006-08 Ultimate Swarna Ganga : 90% of IAL 2006-08 Ultimate Criti9: 110% of Reinsurance rates Others: 115% of IAL 2006-08 Ultimate

3) Expenses :	i. Individual Business
	1. Life-participating policies **(Including unitized\VIP non-pension policies)** Single Premium Policy: 250 Regular Premium Policy: 400 Lapsed Policy : 250 Inflation @ 5.75% p.a.
	2. Pension-participating policies Single Premium Policy: 250 Regular Premium Policy: 400 Lapsed Policy : 250 Inflation @ 5.75% p.a.
	3. Life- Non-participating policies **(Including unitized\VIP non-pension policies)** Single Premium Policy: 250 Regular Premium Policy: 400 For Product Saral Swadhan + : - Single Premium :100 & Regular Premium : 125 Lapsed Policy : 250 Inflation @ 5.75% p.a.
	4. Pension- Non-participating policies **(Including unitized pension policies)** Single Premium Policy: 250 Regular Premium Policy: 400 Lapsed Policy : 250 Inflation @ 5.75% p.a.
	5. Annuities – participating policies NA
	6. Annuities – Non-participating policies Single Premium Policy: 150 Regular Premium Policy: NA Inflation @ 5.75% p.a.
	7. Annuities – Individual Pension Plan NA
	8. Unit Linked Single Premium & Lapsed policies : 645 Regular Premium : 860 Inflation @ 5.75% p.a.
	9. Health Insurance Single Premium Policy: NA Regular Premium Policy: 400 Inflation @ 5.75% p.a.
	ii. Group Business
	1. Annuities – Non-participating policies Single Premium Policy: 150 Regular Premium Policy: NA Inflation @ 5.75% p.a.
	2. Other Group policies Single Premium Per Life: 100 Regular Premium Per Life: 125 For Products RBS : - All Type of premium per life: 175 Inflation @ 5.75% p.a.

4) Bonus Rates :	**i. Individual Business**
	1. Life-participating policies Refer Annexure A
	2. Pension-participating policies Refer Annexure A
	3. Life- Non-participating policies (Including unitized non-pension policies) NA
	4. Pension- Non-participating policies (Including unitized pension policies) NA
	5. Annuities – participating policies NA
	6. Annuities – Non-participating policies NA
	7. Annuities – Individual Pension Plan NA
	8. Unit Linked NA
	9. Health Insurance NA
	ii. Group Business
	1. Annuities – Non-participating policies NA
	2. Pension-participating policies Refer Annexure A
	3. Other Group policies NA

5) Policyholders Reasonable Expectations	The Policyholder Expectation is being taken into account while giving the discretionary benefits like reversionary bonuses. However the bonuses are declared after evaluating bonus earning capacity of each product further classified by mode of payment (Single/Regular Premium) and policy terms so that bonuses are equitable for groups of policyholders. Bonuses are smoothed and are based on pooled experience.
6) Taxation and Shareholder Transfers	14.16250%
7) Basis of provisions for Incurred But Not Reported (IBNR)	Calculated using Extended Chain Ladder Method
8) Change in Valuation Methods or Bases	
i. Individuals Assurances	
1. Interest	No change
2. Expenses	No change
3. Inflation	No change
ii. Annuities	
1. Interest	
a. Annuity in payment	No change
b. Annuity during deferred period	NA
c. Pension : All Plans	No change
2. Expenses	No change
3. Inflation	No change
iii. Unit Linked	
1. Interest	No change
2. Expenses	No change
3. Inflation	No change
iv. Health	
1. Interest	No change
2. Expenses	No change
3. Inflation	No change
v. Group	
1. Interest	No change
2. Expenses	No change
3. Inflation	No change

Annexure A

Table A: Simple Reversionary,Interim and Terminal Bonus Rates

Sr. No.	Product Name	Premium Type	Policy Term (in years)	Reversionary Bonus Rate #	Interim Bonus Rate(Future Bonus Rate) #	Terminal Bonus Rate ##
1	Sudarshan Plan A	Regular Premium	5-9	2.50%	2.50%	10.00%
			10-14	1.80%	1.80%	10.00%
			15 - 19	1.65%	1.65%	5.00%
			20 - 24	1.55%	1.55%	5.00%
			25 & above	1.45%	1.45%	5.00%
		Single Premium	5-9	3.00%	3.00%	10.00%
			10-14	2.50%	2.50%	10.00%
			15 - 19	2.25%	2.25%	5.00%
			20 - 24	2.25%	2.25%	5.00%
			25 & above	2.25%	2.25%	5.00%
2	Sudarshan Plan B	Regular Premium	5-9	2.00%	2.00%	10.00%
			10-14	1.70%	1.70%	10.00%
			15 - 19	1.55%	1.55%	5.00%
			20 - 24	1.55%	1.55%	5.00%
			25 & above	1.55%	1.55%	5.00%
		Single Premium	5-9	3.00%	3.00%	10.00%
			10-14	3.00%	3.00%	10.00%
			15 - 19	3.00%	3.00%	5.00%
			20 - 24	3.00%	3.00%	5.00%
			25 & above	3.00%	3.00%	5.00%
3	Scholar	Regular Premium	6-11	2.75%	2.75%	10.00%
			12-16	2.75%	2.75%	10.00%
			17 - 21	2.75%	2.75%	5.00%
		Single Premium	6-11	3.25%	3.25%	10.00%
			12-16	3.25%	3.25%	10.00%
			17 - 21	3.25%	3.25%	5.00%
4	Scholar II	Regular Premium	6-11	3.00%	3.00%	10.00%
			12-16	3.10%	3.10%	5.00%
			17 - 21	3.10%	3.10%	5.00%
		Single Premium	6-11	4.00%	4.00%	10.00%
			12-16	4.00%	4.00%	5.00%
			17 - 21	4.00%	4.00%	5.00%
5	Money Back	Regular Premium	10 (Plan-1)	1.80%	1.80%	10.00%
			15 (Plan-2)	1.30%	1.30%	5.00%
			20 (Plan-3)	1.30%	1.30%	5.00%
			25 (Plan-4)	1.75%	1.75%	5.00%
6	Sanjeevan Supreme	Regular Premium	15 (Plan-1)	3.25%	3.25%	5.00%
			20 (Plan-2)	3.25%	3.25%	5.00%
			20 (Plan-3)	3.25%	3.25%	5.00%
			25 (Plan-4)	3.25%	3.25%	5.00%
		Single Premium	15 (Plan-1)	3.25%	3.25%	5.00%
			20 (Plan-2)	3.25%	3.25%	5.00%
			20 (Plan-3)	3.50%	3.50%	5.00%
			25 (Plan-4)	3.50%	3.50%	5.00%
7	Shubh Nivesh (UIN: 111N055V01)	Regular Premium	5-9	3.00%	3.00%	10.00%
			10-14	3.00%	3.00%	5.00%
			15 - 19	3.00%	3.00%	5.00%
			20 - 24	3.10%	3.10%	5.00%
			25 & above	3.10%	3.10%	5.00%
		Single Premium	5-9	3.25%	3.25%	10.00%
			10-14	3.25%	3.25%	5.00%
			15 - 19	3.25%	3.25%	5.00%
			20 - 24	3.25%	3.25%	5.00%
			25 & above	3.25%	3.25%	5.00%
8	Shubh Nivesh (UIN: 111N055V02)	Regular Premium	7-9	2.75%	2.75%	5.00%
			10-14	2.75%	2.75%	5.00%
			15 - 19	2.75%	2.75%	5.00%
			20 - 24	2.75%	2.75%	5.00%
			25 & above	2.75%	2.75%	5.00%
		Single Premium	5-9	2.75%	2.75%	5.00%
			10-14	2.75%	2.75%	5.00%
			15 - 19	2.75%	2.75%	5.00%
			20 - 24	2.75%	2.75%	5.00%
			25 & above	2.75%	2.75%	5.00%

9	Sanjeevan	Single Premium	20 (Plan 1)	1.25%	1.25%	5.00%
			15 (Plan 2)	1.25%	1.25%	5.00%
			10 (Plan 3)	1.25%	1.25%	10.00%
10	Young Sanjeevan	Single Premium	All	1.25%	1.25%	10.00%
11	Saral Life	Regular Premium	10 (Plan-1)	2.75%	2.75%	5.00%
			15 (Plan-2)	2.75%	2.75%	5.00%
			20 (Plan-3)	3.00%	3.00%	5.00%
			25 (Plan-4)	3.00%	3.00%	5.00%
12	Smart Money Back	Regular Premium	12 (Plan-1)	3.00%	3.00%	5.00%
			15 (Plan-2)	3.00%	3.00%	5.00%
			20 (Plan-3)	3.00%	3.00%	5.00%
			25 (Plan-4)	3.00%	3.00%	5.00%
13	Smart Money Back Gold	Regular Premium	12 (Plan-1)	2.50%	2.50%	5.00%
			15 (Plan-2)	2.50%	2.50%	5.00%
			20 (Plan-3)	2.50%	2.50%	5.00%
			25 (Plan-4)	2.50%	2.50%	5.00%
14	Smart Income Protect	Regular Premium	5 (Plan-1)	2.75%	2.75%	5.00%
			10 (Plan-2)	2.75%	2.75%	5.00%
			15 (Plan-3)	2.75%	2.75%	5.00%
15	Saral Pension (UIN: 111N088V01)	Regular Premium	All	2.75%	2.75%	5.00%
		Single Premium	All	2.75%	2.75%	5.00%
16	Saral Pension (UIN: 111N088V02)	Regular Premium	All	2.75%	2.75%	5.00%
		Single Premium	All	2.75%	2.75%	5.00%

 # Bonus Rates as a percentage of Sum Assured.

The rate of Terminal Bonus is a percentage of the total amount of bonuses (Reversionary plus Interim) and not a percentage of Sum Assured.

The future Bonus rates are assumed as per the Interim bonus rates.

Table B1 - Pension Products

Sr. No.	Product Name	Premium Type	Policy Term (in years)	Regular Accumulating Bonus Rate *	Interim Bonus Rate *	Terminal Bonus Rate *
1	Life Long Pension Plan - Individual	Regular Premium	All	7.50%	7.00%	7.50%
		Single Premium	All	7.50%	7.00%	7.50%
2	Life Long Pension Plan - Group	Regular Premium	All	7.50%	7.00%	7.50%
		Single Premium	All	7.50%	7.00%	7.50%

Table B2 - VIP Products

Sr. No.	Product Name	Bonus Type	Policy Term (in years)	Regular Accumulating Bonus Rate *	Interim Bonus Rate *	Terminal Bonus Rate *
1	Flexi Smart Plus - Individual	(A) Min. Guaranteed Bonus Interest Rate	All	1.00%	1.00%	-
		(B) Regular Bonus interest Rate	All	6.50%	6.25%	-
	Regular Premium	(C)Residual Bonus Rate from 5th policy year onwards	All	-	-	-

Note: Bonus type B and C are in addition to A.

* Regular Accumulating & Interim Bonus Rate as a percentage of { net premium paid & already attached bonuses} & Terminal bonus rate as a percentage of Total Bonus Allocated to PFA.