

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

<p>1) a. How the policy data needed for valuation is accessed.</p>	<p>Data is extracted for each month by IT. Once data extracted, actuaries perform the reasonable checks, and the movements are reconciled with opening and closing data. After the validity, reasonableness and completeness checks, the data is used for valuation.</p>											
<p>b. How the valuation bases are supplied to the system</p> <p>1) Interest : Maximum and minimum interest rate taken for each segment</p> <p>i. Individual Business</p> <ol style="list-style-type: none"> 1. Life- Participating policies 2. Pension- Participating policies 3. Life- Non-participating policies (Including unitized non-pension policies) 4. Pension- Non-participating policies (Including unitized pension policies) 5. Annuities- Participating policies 6. Annuities – Non-participating policies 7. Annuities- Individual Pension plan 8. Unit Linked 9. Health Insurance <p>ii. Group Business</p> <ol style="list-style-type: none"> 1. Annuities – Non-participating policies 2. Other Group policies 	<p>A single discrete interest rate is assumed for valuation as below:</p> <table border="0"> <tr><td>6.10%</td></tr> <tr><td>6.10%</td></tr> <tr><td>5.85%</td></tr> <tr><td>5.85%</td></tr> <tr><td>NA</td></tr> <tr><td>6.10%</td></tr> <tr><td>NA</td></tr> <tr><td>Non Unit Fund: 5.85%</td></tr> <tr><td>5.85%</td></tr> <tr><td>6.10%</td></tr> <tr><td>5.85%</td></tr> </table>	6.10%	6.10%	5.85%	5.85%	NA	6.10%	NA	Non Unit Fund: 5.85%	5.85%	6.10%	5.85%
6.10%												
6.10%												
5.85%												
5.85%												
NA												
6.10%												
NA												
Non Unit Fund: 5.85%												
5.85%												
6.10%												
5.85%												
<p>2) Mortality/Morbidity Rates : The mortality/morbidity rates used for each segment</p>	<p>i. Individual Business</p> <p>1. Life-participating policies Smart Income Protect : 120% of IAL 2006-08 Ultimate Shubb Nivesh : 130% of IAL 2006-08 Ultimate Others :115% of IAL 2006-08 Ultimate</p> <p>2. Pension-participating policies 110% of IAL 2006-08 Ultimate</p> <p>3. Life- Non-participating policies (Including unitized non-pension policies) Saral Shield: 100% of IAL 2006-08 Ultimate Smart Shield : 80% 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: 105% of IAL 2006-08 Ultimate</p> <p>4. Pension- Non-participating policies (Including unitized pension policies) 110% of IAL 2006-08 Ultimate</p> <p>5. Annuities – participating policies NA</p> <p>6. Annuities – Non-participating policies 90% of Annuitant LIC(1996-98) table ultimate rates (adjusted for improvements of - 1% pa)</p> <p>7. Annuities – Individual Pension Plan NA</p> <p>8. Unit Linked 115% of IAL 2006-08 Ultimate</p> <p>9. Health Insurance 130% of the Reinsurance rates</p> <p>ii. Group Business</p> <p>1. Annuities – Non-participating policies 90% of Annuitant LIC(1996-98) table ultimate rates (adjusted for improvements of - 1% pa)</p> <p>2. Unit Linked 125% of IAL 2006-08 Ultimate</p> <p>3. Other Group policies Dhanarashi: 130% of IAL 2006-08 Ultimate Suraksha Plus,Sampoorna Suraksha & Retirement Benefit schems: 120% of IAL 2006-08 Ultimate Grameen Shakti & 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</p>											

3) Expenses :

i. Individual Business

1. Life-participating 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 non-pension policies)

Single Premium Policy: 250
Regular Premium Policy: 400
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
for products
Maha Anand - Regular Premium & Lapsed policies : 685
Maha Anand II & Saral Maha Anand : Regular Premium & Lapsed policies : 550
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: 125
Regular Premium Per Life: 150
Lapsed Per Life : 125
Inflation @ 5.75% p.a.

<p>4) Bonus Rates :</p>	<p>i. Individual Business</p> <p>1. Life-participating policies Refer Annexure A</p> <p>2. Pension-participating policies Refer Annexure A</p> <p>3. Life- Non-participating policies (Including unitized non-pension policies) NA</p> <p>4. Pension- Non-participating policies (Including unitized pension policies) NA</p> <p>5. Annuities - participating policies NA</p> <p>6. Annuities - Non-participating policies NA</p> <p>7. Annuities - Individual Pension Plan NA</p> <p>8. Unit Linked NA</p> <p>9. Health Insurance NA</p> <p>ii. Group Business</p> <p>1. Annuities - Non-participating policies NA</p> <p>2. Pension-participating policies Refer Annexure A</p> <p>3. Other Group policies NA</p>
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<p>5) Policyholders Reasonable Expectations</p>	<p>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 nooled experience.</p>
<p>6) Taxation and Shareholder Transfers</p>	<p>14.16250%</p>
<p>7) Basis of provisions for Incurred But Not Reported (IBNR)</p>	<p>Calculated using Extended Chain Ladder Method</p>
<p>8) Change in Valuation Methods or Bases</p>	
<p>i. Individuals Assurances</p>	
<p>1. Interest 2. Expenses 3. Inflation</p>	<p>No change No change No change</p>
<p>ii. Annuities</p>	
<p>1. Interest a. Annuity in payment b. Annuity during deferred period c. Pension : All Plans 2. Expenses 3. Inflation</p>	<p>No change NA No change No change No change</p>
<p>iii. Unit Linked</p>	
<p>1. Interest 2. Expenses 3. Inflation</p>	<p>No change No change No change</p>
<p>iv. Health</p>	
<p>1. Interest 2. Expenses 3. Inflation</p>	<p>No change No change No change</p>
<p>v. Group</p>	
<p>1. Interest 2. Expenses 3. Inflation</p>	<p>No change No change No change</p>

Annexure A

Table: Simple Reversionary and Terminal Bonus Rates

Sr. No.	Product Name	Premium Type	Policy Term (in years)	Reversionary Bonus Rate #	Terminal Bonus Rate ##
1	Sudarshan Plan A	Regular Premium	5-9	2.50%	7.50%
			10-14	1.80%	7.50%
			15 - 19	1.65%	5.00%
			20 - 24	1.55%	5.00%
			25 & above	1.45%	5.00%
		Single Premium	5-9	3.00%	7.50%
			10-14	2.50%	7.50%
			15 - 19	2.25%	5.00%
			20 - 24	2.25%	5.00%
			25 & above	2.25%	5.00%
2	Sudarshan Plan B	Regular Premium	5-9	2.00%	7.50%
			10-14	1.70%	7.50%
			15 - 19	1.55%	5.00%
			20 - 24	1.55%	5.00%
			25 & above	1.55%	5.00%
		Single Premium	5-9	3.00%	7.50%
			10-14	3.00%	7.50%
			15 - 19	3.00%	5.00%
			20 - 24	3.00%	5.00%
			25 & above	3.00%	5.00%
3	Scholar	Regular Premium	6-11	2.75%	7.50%
			12-16	2.75%	7.50%
			17 - 21	2.75%	5.00%
		Single Premium	6-11	3.25%	7.50%
			12-16	3.25%	7.50%
			17 - 21	3.25%	5.00%
4	Scholar II	Regular Premium	6-11	3.00%	7.50%
			12-16	3.10%	5.00%
			17 - 21	3.10%	5.00%
		Single Premium	6-11	4.00%	7.50%
			12-16	4.00%	5.00%
			17 - 21	4.00%	5.00%
5	Money Back	Regular Premium	10 (Plan-1)	1.80%	5.00%
			15 (Plan-2)	1.30%	5.00%
			20 (Plan-3)	1.30%	5.00%
			25 (Plan-4)	1.75%	5.00%
			15 (Plan-1)	3.25%	5.00%
6	Sanjeevan Supreme	Regular Premium	20 (Plan-2)	3.25%	5.00%
			20 (Plan-3)	3.25%	5.00%
			25 (Plan-4)	3.25%	5.00%
			25 (Plan-4)	3.25%	5.00%
		Single Premium	15 (Plan-1)	3.25%	5.00%
			20 (Plan-2)	3.25%	5.00%
			20 (Plan-3)	3.50%	5.00%
			25 (Plan-4)	3.50%	5.00%
7	Shubh Nivesh	Regular Premium	5-9	3.00%	5.00%
			10-14	3.00%	5.00%
			15 - 19	3.00%	5.00%
			20 - 24	3.10%	5.00%
			25 & above	3.10%	5.00%
		Single Premium	5-9	3.25%	5.00%
			10-14	3.25%	5.00%
			15 - 19	3.25%	5.00%
			20 - 24	3.25%	5.00%
			25 & above	3.25%	5.00%
8	Sanjeevan	Single Premium	20 (Plan 1)	1.25%	5.00%
			15 (Plan 2)	1.25%	5.00%
			10 (Plan 3)	1.25%	7.50%
			All	1.25%	7.50%
9	Young Sanjeevan	Single Premium	All	1.25%	7.50%
10	Life Long Pension - Individual	Regular Premium	All	7.50%	7.50%
		Single Premium	All	7.50%	7.50%
11	Life Long Pension-Group	Regular Premium	10	7.50%	7.50%
12	Saral Life	Regular Premium	10 (Plan-1)	2.75%	5.00%
			15 (Plan-2)	2.75%	5.00%
			20 (Plan-3)	3.00%	5.00%
			25 (Plan-4)	3.00%	5.00%
			12 (Plan-1)	3.00%	5.00%
13	Smart Money Back	Regular Premium	15 (Plan-2)	3.00%	5.00%
			20 (Plan-3)	3.00%	5.00%
			25 (Plan-4)	3.00%	5.00%
			5 (Plan-1)	2.75%	5.00%
14	Smart Income Protect	Regular Premium	10 (Plan-2)	2.75%	5.00%
			15 (Plan-3)	2.75%	5.00%
			All	2.75%	5.00%
15	Saral pension	Regular Premium	All	2.75%	5.00%
		Single Premium	All	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.