

## 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"> <li>1. Life- Participating policies</li> <li>2. Pension- Participating policies</li> <li>3. Life- Non-participating policies (Including unitized non-pension policies)</li> <li>4. Pension- Non-participating policies (Including unitized pension policies)</li> <li>5. Annuities- Participating policies</li> <li>6. Annuities - Non-participating policies</li> <li>7. Annuities- Individual Pension plan</li> <li>8. Unit Linked</li> <li>9. Health Insurance</li> </ol> <p>ii. Group Business</p> <ol style="list-style-type: none"> <li>1. Annuities - Non-participating policies</li> <li>2. Other Group policies</li> </ol>	<p>A single discrete interest rate (net of MAD) 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%															
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<p>2) Mortality/Morbidity Rates : The mortality/morbidity rates used for each segment</p>	<table border="1"> <tr> <td colspan="2"><b>i. Individual Business</b></td> </tr> <tr> <td><b>1. Life-participating policies</b></td> <td>105% of IAL 1994-96 Ultimate</td> </tr> <tr> <td><b>2. Pension-participating policies</b></td> <td>100% of IAL 1994-96 Ultimate</td> </tr> <tr> <td><b>3. Life- Non-participating policies (Including unitized non-pension policies)</b></td> <td>Saral Shield: 80% of IAL 1994-96 Ultimate Smart Shield : 75% of IAL 1994-96 Ultimate Others: 105% of IAL 1994-96 Ultimate</td> </tr> <tr> <td><b>4. Pension- Non-participating policies (Including unitized pension policies)</b></td> <td>100% of IAL 1994-96 Ultimate</td> </tr> <tr> <td><b>5. Annuities - participating policies</b></td> <td>NA</td> </tr> <tr> <td><b>6. Annuities - Non-participating policies</b></td> <td>90% of Annuitant 1996-98 (adjusted for improvements)</td> </tr> <tr> <td><b>7. Annuities - Individual Pension Plan</b></td> <td>NA</td> </tr> <tr> <td><b>8. Unit Linked</b></td> <td>100% of IAL 1994-96 Ultimate</td> </tr> <tr> <td><b>9. Health Insurance</b></td> <td>120% of the Reinsurance rates</td> </tr> <tr> <td colspan="2"><b>ii. Group Business</b></td> </tr> <tr> <td><b>1. Annuities - Non-participating policies</b></td> <td>90% of Annuitant 1996-98 (adjusted for improvements)</td> </tr> <tr> <td><b>2. Other Group policies</b></td> <td>Ladli: 120% of IAL 1994-96 Ultimate Group Swadhan, Grameen Shakti, RIN Raksha, Dhanaraksha Plus LPPT &amp; Dhanaraksha Plus SP: 105% of IAL 1994-96 Ultimate Swarna Ganga : 80% of IAL 1994-96 Ultimate Criti9: 110% of Reinsurance rates Others: 110% of IAL 1994-96 Ultimate</td> </tr> </table>	<b>i. Individual Business</b>		<b>1. Life-participating policies</b>	105% of IAL 1994-96 Ultimate	<b>2. Pension-participating policies</b>	100% of IAL 1994-96 Ultimate	<b>3. Life- Non-participating policies (Including unitized non-pension policies)</b>	Saral Shield: 80% of IAL 1994-96 Ultimate Smart Shield : 75% of IAL 1994-96 Ultimate Others: 105% of IAL 1994-96 Ultimate	<b>4. Pension- Non-participating policies (Including unitized pension policies)</b>	100% of IAL 1994-96 Ultimate	<b>5. Annuities - participating policies</b>	NA	<b>6. Annuities - Non-participating policies</b>	90% of Annuitant 1996-98 (adjusted for improvements)	<b>7. Annuities - Individual Pension Plan</b>	NA	<b>8. Unit Linked</b>	100% of IAL 1994-96 Ultimate	<b>9. Health Insurance</b>	120% of the Reinsurance rates	<b>ii. Group Business</b>		<b>1. Annuities - Non-participating policies</b>	90% of Annuitant 1996-98 (adjusted for improvements)	<b>2. Other Group policies</b>	Ladli: 120% of IAL 1994-96 Ultimate Group Swadhan, Grameen Shakti, RIN Raksha, Dhanaraksha Plus LPPT & Dhanaraksha Plus SP: 105% of IAL 1994-96 Ultimate Swarna Ganga : 80% of IAL 1994-96 Ultimate Criti9: 110% of Reinsurance rates Others: 110% of IAL 1994-96 Ultimate
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3) Expenses :

<b>i. Individual Business</b>
<b>1. Life-participating policies</b> Single Premium Policy: 250 Regular Premium Policy: 400 Lapsed Policy : 250 Inflation @ 5.75% p.a.
<b>2. Pension-participating policies</b> Single Premium Policy: 125 Regular Premium Policy: 200 Lapsed Policy : 125 Inflation @ 5.75% p.a.
<b>3. Life- Non-participating policies (Including unitized non-pension policies)</b> Single Premium Policy: 250 Regular Premium Policy: 400 Lapsed Policy : 250 Inflation @ 5.75% p.a.
<b>4. Pension- Non-participating policies (Including unitized pension policies)</b> Single Premium Policy: 250 Regular Premium Policy: 400 Lapsed Policy : 250 Inflation @ 5.75% p.a.
<b>5. Annuities - participating policies</b> NA
<b>6. Annuities - Non-participating policies</b> Single Premium Policy: 150 Regular Premium Policy: NA Inflation @ 5.75% p.a.
<b>7. Annuities - Individual Pension Plan</b> NA
<b>8. Unit Linked</b> Single Premium Policy : 645 Regular Premium Policy: Maha Anand : 685 Maha Anand II & Saral Maha Anand : 550 Others: 860 Lapsed Policy : 645 Inflation @ 5.75% p.a.
<b>9. Health Insurance</b> Single Premium Policy: NA Regular Premium Policy: 800 Inflation @ 5.75% p.a.
<b>ii. Group Business</b>
<b>1. Annuities - Non-participating policies</b> Single Premium Policy: 150 Regular Premium Policy: NA Inflation @ 5.75% p.a.
<b>2. Other Group policies</b> Single Premium Per Life: 125 Regular Premium Per Life: 150 Lapsed Per Life : 125 Inflation @ 5.75% p.a.

4) Bonus Rates :

<b>i. Individual Business</b>
<b>1. Life-participating policies</b> Refer Annexure A
<b>2. Pension-participating policies</b> Refer Annexure A
<b>3. Life- Non-participating policies (Including unitized non-pension policies)</b> NA
<b>4. Pension- Non-participating policies (Including unitized pension policies)</b> NA
<b>5. Annuities - participating policies</b> NA
<b>6. Annuities - Non-participating policies</b> NA
<b>7. Annuities - Individual Pension Plan</b> NA
<b>8. Unit Linked</b> NA
<b>9. Health Insurance</b> NA
<b>ii. Group Business</b>
<b>1. Annuities - Non-participating policies</b> NA
<b>2. Other Group policies</b> 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) so that bonuses are equitable for groups of policyholders. Bonuses are smoothed and are based on pooled experience.
6) Taxation and Shareholder Transfers	13.51875%
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 Assurance	
1. Interest	No change
2. Expenses	No change
3. Inflation	No change
ii. Annuities	
1. Interest	No change
a. Annuity in payment	NA
b. Annuity during deferred period	No change
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